1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Muscat Insurance Company SAOG (formerly known as Muscat National Holding Company SAOG), ("the Company") is registered as a public joint stock company in the Sultanate of Oman. The Company was formerly operating as an investment company whereby its license was amended by Capital Market Authority (CMA) to underwrite general insurance and life assurance business from 17 August 2017, vide the CMA's administration decision E/59/2017 dated 30 August 2017.

The Company was restructured in the year ended 31 December 2017 through the merger of its two fully owned subsidiaries in order to comply with provisions of the Insurance Companies Law of 1979, as amended, to bring the share capital of the Company to RO 10 million by August 2017. Accordingly, the subsidiaries Muscat Insurance Company SAOC ("MIC") and Muscat Life Assurance Company SAOC ("MLAC") were merged with the Company by transferring their assets and liabilities, as well as the licenses to underwrite portfolio of general and life insurance business.

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The unaudited condensed interim financial statements for the six months period ended 30 Sept 2022 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and in compliance with the applicable requirements of the Commercial Companies Law of the Sultanate of Oman promulgated by Royal Decree No. 18 / 2019 ('the Commercial Companies Law') was issued on 13 February 2019 and came into force on 17 April 2019.

The unaudited condensed interim financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows of Muscat Insurance Company SAOG.

The unaudited interim financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The unaudited condensed interim financial statements have been prepared on a going concern basis and using the historical cost convention. The historical cost convention has been modified to include the measurement of fair value of investments carried at fair value through profit or loss, investments held to maturity, available-for-sale investments and held for trading investments.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2021, except for the impact of the adoption of the Standards and Interpretations as disclosed in note.

The condensed interim statement of financial position is presented in ascending order of liquidity, as this presentation is more appropriate to the Company's operations.

The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, held for trading investments carried at fair value through profit or loss, premium and insurance receivables, available for sale investments, receivables and prepayments, dividend payable, trade and other payables and provision for taxation. The following balances would generally be classified as non-current: investment property, property and equipment, provision for employees end of service benefits. The following balances are of mixed nature (including both current and non-current portions): fixed deposits, investments held to maturity, reinsurers' share of insurance funds, deferred tax asset-net, reinsurance payable and insurance funds.

2.2 New and amended IFRS adopted by the Company

The adoption of new standards effective as of 1 January 2022 and amendments and interpretations do not have an impact on the condensed interim financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Detailed disclosures for the impact of the IFRS 16 and IFRS 17 on the Company's financial statements were provided in notes of the Company's Financial Statements for the year ended 31 December 2021. No changes to those assessments have arisen in the current quarter.

IFRS 9 'Financial Instruments' which was effective from 1 January 2018, the management of the Company has performed an assessment of the amendments and reached a conclusion that:

In view of above, the management has applied the temporary exemption in its reporting for the current quarter ended 30 Sept 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of financial statements of the Company for the year ended 31 December 2021.

4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2021. There have been no changes in the risk management policies since year end.

5. FAIR VALUES ESTIMATION

"A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market prices at the close of business on the reporting date, adjusted for transaction costs necessary to realize the asset. Fair value of unquoted investments is based on valuation techniques used by the Company. The fair value of trade and other receivables is estimated at the present value of future cash flow, discounted at the market rate of interest at the reporting date. The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the reporting date."

6. UNDERWRITING RESULTS

The following further notes apply:

a) The general insurance, medical insurance and life assurance net written premium and underwriting results before reinsurance recoveries are analysed as follows:

	Net premium written		Underwriting results before reinsurance recoveries	
	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO
Motor	1,401,215	2,128,898	(175,523)	(249,306)
Group life and group credit	81,261	887,460	(144,876)	(386,315)
Health insurance	493,721	81,011	(929,072)	(408,542)
Household and others	160,805	122,661	597,215	(434,879)
Marine	25,074	13,332	147,594	89,229
Fire	146,662	11,891	1,295,235	224,087
Total	2,308,738	3,245,253	790,573	(1,165,726)

b) The net claims ratio for general insurance business is as follows:

	30 Sept 2022 Unaudited %	30 Sept 2021 Unaudited %
Motor	64	71
Fire	(11)	(18)
Marine	85	27
Engineering, accident and others	40	64
Overall loss ratio for general insurance business	58	70

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c) The net claims ratio for life insurance business and medical insurance business is as follows:

	30 Sept 2022 Unaudited %	30 Sept 2021 Unaudited %
Company life	55	93
Medical	140	72
Overall loss ratio for life insurance business	117	76

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following further notes apply:

a) Details of the Company's investments for which the Company's holding exceeds 10% of the market value of its equity investment portfolio are:

	% of investment portfolio %	Number of securities	Carrying value RO	Cost RO
30 Sept 2022				
HSBC Bank of Oman SAOG	59.28%	20,663,885	3,161,575	3,155,988
31 December 2021				
HSBC Bank of Oman SAOG	50.20%	20,663,885	2,149,044	3,155,988
30 Sept 2021				
HSBC Bank of Oman SAOG	47.84%	20,663,885	1,859,749	3,155,988

b) As at the end of the reporting period, transfer of investments carried at fair value through profit or loss amounting to RO 3,543,330 (30 September 2021 - RO 2,273,789 and 31 December 2021 - RO 2,535,629) is restricted.

c) Currently the percentage of HSBC Bank Oman SOAG investment in relation to overall investments of the Company is 12.60% (30 September 2021 – 7.32% and 31 December 2021 - 8.55%) which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the CMA. As per the Regulation, investments in shares of any one company should not exceed 5% of the total investments of the insurer. The Company has applied for exemptions from the CMA in respect of this investment.

d) The fair value hierarchy of the investments is as follows:

	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO	31 December 2021 Audited RO
Quoted investments			
Level 1 hierarchy	4,509,290	3,154,095	3,456,979
Unquoted investments			
Level 2 hierarchy	72,593	72,593	72,593
Total	4,581,883	3,226,688	3,529,572

8. AVAILABLE FOR SALE INVESTMENTS

The following further notes apply:

a) With respect to investment in Oman Reinsurance Company SAOG which was listed in the Muscat Securities Exchange in November 2021, there was a movement from level 3 fair value hierarchy in 2021 to level 1 fair value hierarchy. Other investment in shares of unquoted companies are measured as Level 3 investments.

b) Management believes that the fair values of unquoted investments classified as available-for-sale approximate to its carrying values as of 30 September 2022, 30 September 2021 and 31 December 2021.

9. INVESTMENT PROPERTIES

The following further notes apply:

a) Freehold land and building in Al Khuwair, which is used for rental purposes, is entirely classified as investment property. The fair value of the investment property was RO 2,050,000 based upon an independent external valuation carried at 31 December 2021.

b) During the year 2019, the Company completed construction of a new building in Al Khuwair. At the end of the reporting period, the building is 11% occupied for the Company's administrative use and 89% used for rental purposes. The freehold land and building, which is used for rental purposes, is classified as investment property. The fair value of the freehold land and building included under investment property and property and equipment is RO 12,000,000 based upon an independent external valuation carried at the end of the reporting period.

c) The lease terms ranges between 1 to 5 years, with options for extension. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

d) Currently the percentage of investment in real estate to overall investments of the Company is 36.22% (30 September 2021 – 36.14%; 31 December 2021 – 36.83%) which exceeds the limit prescribed by Regulation for Investing Assets of Insurance Companies issued by the CMA. As per the Regulation, investments in real estate shall not exceed 20% of the total investments of the insurer.

e) The lessee does not have an option to purchase the property at the expiry of the lease period.

10. SHARE CAPITAL

a) The Company's authorized, issued and paid up capital at the end of the reporting period is as follows:

	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO	31 December 2021 Audited RO
Authorised – ordinary shares of RO 1 each	30,000,000	30,000,000	30,000,000
Issued and fully paid – ordinary shares of RO 1 each	11,025,046	11,025,046	11,025,046

b) The details of shareholders who own 10% or more of the Company's share capital are as follows:

	30 Sept 2022 Unaudited		30 Sept 2021 Unaudited		31 December 2021 Audited	
	% holding	No of shares	% holding %	No of shares	% holding RO	No of shares RO
Waleed Omar Abdulmunim Al Zawawi	19.98	2,202,685	19.98	2,202,685	19.98	2,202,685

11. RESERVES

a) Legal reserve

In accordance with Article 274 of the Commercial Companies Law of the Sultanate of Oman, annual appropriation of the net profit for the year has to be made to the legal reserve, until the reserve equals one-third of the Company's capital. The reserve is not available for distribution, but can be utilised to set off against any accumulated losses.

b) Contingency reserve

	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO	31 December 2021 Audited RO
At the beginning of the year	3,174,755	2,854,658	2,854,658
Transfer during the year	179,735	270,978	320,097
At the end of the year	3,354,490	3,125,636	3,174,755

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance premium for the year for life insurance business at the reporting date is transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any period until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the CMA.

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c) Capital reserve

The Capital reserve represents the excess over nominal value paid by the initial subscribers towards public issue expenses incurred by the Company.

12. RELATED PARTY TRANSACTIONS

a) The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors) and entities in which the key Management personnel / significant shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors.

These transactions are entered into on terms and conditions approved by the management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.

	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO
Premiums written from related parties	3,165,744	2,873,536
Claims paid to related parties	125,787	292,060
Purchases of goods and services from related parties	21,182	10,433
Dividend income	4,876	-
Bonus shares (number of shares)	75,014	75,014

b) The key management personnel compensation for the year comprises:

	30 Sept 2022 Unaudited RO	30 Sept 2021 Unaudited RO
Short term employment benefits	297,605	233,625
End of service benefits	6,425	2,425
Directors' sitting fees	14,200	26,500
	318,230	262,550

c) The premiums due from and due to related parties are unsecured, repayable on normal credit terms and not subject to interest (31 December 2021 and 30 Sept 2021 – similar terms and conditions).

INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 25 OCTOBER 2022

13 SEGMENT INFORMATION

Business segments - primary reporting segment

The Company has two reportable business segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic units, the Company's CEO reviews the internal management reports on a regular basis.

The Company has the following operating segments:

General insurance
General business includes insurance of motor; fire, marine, engineering, workmen compensation and general accident.

Life insurance
Life insurance business relates to the insurance of the life and medical of an individual or Company and the credit life policies.

	General insurance RO	Medical insurance RO	Life insurance RO	Total RO
At 30 Sept 2022 (unaudited)				
Gross written premiums arising from insurance contracts issued	9,685,974	2,027,173	316,192	12,029,339
Profit for the period	486,246	(296,562)	134,119	323,803
At 30 Sept 2021 (unaudited)				
Gross written premiums arising from insurance contracts issued	9,311,083	2,020,753	346,160	11,677,996
Profit for the period	38,805	-	108,798	147,603

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	General insurance RO	Medical insurance RO	Life insurance RO	Total RO
The total assets for each segment are as follows:				
At 30 Sept 2022	34,649,876	2,578,535	3,552,749	40,781,160
At 30 Sept 2021	40,022,614	-	5,051,962	45,074,576
At 31 December 2021	35,338,593	3,375,138	4,181,309	42,895,040
The total liabilities for each segment are as follows				
At 30 Sept 2022	20,622,899	1,306,374	1,047,417	22,976,690
At 30 Sept 2021	25,735,222	-	2,470,900	28,206,122
At 31 December 2021	23,419,877	1,210,544	783,952	25,414,373

14. GLOBAL PANDEMIC

The outbreak of coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activities across the globe, including the Sultanate of Oman. While the Government of Sultanate of Oman has eased lockdowns along with announcement and implementation of measures to provide assistance to the affected entities, the macro-economic uncertainty continues especially with the spread of OMICRON variant of COVID-19. The Management is regularly monitoring the evolution of the COVID 19 pandemic and will continue to assess the impact going forward too.

15. Taxation

During the period, the Oman Tax Authority has completed tax assessments for the years 2017 and 2018 with additional tax liabilities of RO 355,414 and RO 121,508, respectively, which were settled. However, the Management has made an appeal against the tax assessment for the year 2017 with respect to capital gains on the merger of subsidiaries into the Company. Management is confident that the appeal will be in favour of the Company as the previous subsidiaries had sufficient carry forward tax losses.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed interim financial statements were approved and authorized for issue by the Board of Directors on 25 October 2022 and signed on their behalf by the authorised Directors.

INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 25 OCTOBER 2022