

## 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Muscat Insurance 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 and thereafter its license was amended by Capital Market Authority (CMA) to underwrite general insurance and life insurance business from 17 August 2017, vide the CMA's administrative 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 wholly 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.

The registered address of the Company is PO Box 72, Postal code 112, Muscat, Sultanate of Oman.

## 2. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRSs

### 2.1 Basis of preparation

These unaudited interim condensed financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

These unaudited interim condensed financial statements, are prepared as per IFRS-4 'Insurance Contracts'. Accordingly, these unaudited condensed interim financial statements of the Company are not prepared in accordance with the International Financial Reporting Standards (IFRSs). The Company will issue another set of unaudited interim condensed financial statements as per CMA letter HSM/21/2023 dated 3 January 2023 after incorporating the impact of IFRS-17 'Insurance Contracts' and IFRS 9 'Financial Instruments' within 60 days from the end of the quarter.

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

These unaudited interim condensed 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 2022, which had been prepared in accordance with International Financial Reporting Standards (IFRSs).

In addition, results for the period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

#### a. New and amended IFRSs adopted by the Company

The same accounting policies, presentation and methods of computation have been followed in the unaudited interim condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2022. As mentioned in Note 2.1, the Company will issue another set of undited interim condensed financial statements which will be in accordance with IFRSs.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited interim condensed 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 interim condensed 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 2022.

### 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. These unaudited interim condensed 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 for the year ended 31 December 2022. There have been no changes in the risk management policies since the previous year end.

### 5. UNDERWRITING RESULTS

The following further notes apply:

- a) The general 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	
	(Unaudited) 1 April 2023 to 30 June 2023 RO	(Unaudited) 1 April 2022 to 30 June 2022 RO	(Unaudited) 1 April 2023 to 30 June 2023 RO	(Unaudited) 1 April 2022 to 30 June 2022 RO
Motor	1,794,191	751,770	(662,223)	(57,431)
Group life and group credit	66,611	79,542	73,226	(66,697)
Health insurance	704,400	299,399	(188,855)	(716,844)
Household and others	196,347	124,319	(130,363)	661,431
Marine	17,698	19,557	45,868	134,129
Fire	85,092	136,253	(502,998)	1,292,312
<b>Total</b>	<b>2,864,339</b>	<b>1,410,840</b>	<b>(1,365,345)</b>	<b>1,246,900</b>

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

	(Unaudited) 30 June 2023	(Unaudited) 30 June 2022
	%	%
Motor	99	50
Fire	29	-18
Marine	-18	133
Engineering, accident and others	25	44
Overall loss ratio for general insurance business	90	46

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

	(Unaudited) 30 June 2023	(Unaudited) 30 June 2022
	%	%
Company life	17	48
Medical	121	159
Overall loss ratio for life insurance business	88	122

## 6. DEPOSITS

	(Unaudited) 30 June 2023 RO	(Unaudited) 30 June 2022 RO	(Audited) 31 December 2022 RO
Deposits with banks	6,600,000	6,405,000	6,005,000
Deposits with other financial institutions	1,400,000	1,400,000	1,400,000
	8,000,000	7,805,000	7,405,000

The following further notes apply:

- As at 30 June 2023, deposits with banks and other financial institutions have maturity period of twelve months to thirty-six months (30 June 2022 – twelve to thirty-six months and 31 December 2022 – twelve months to twenty-four months) from the date of placement.
- As at 30 June 2023, transfer of deposits in local currency amounting to RO 6,005,000 (30 June 2022 – RO 6,951,000 and 31 December 2022 – RO 6,005,000) is restricted.

## 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following further notes apply:

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

	Investment portfolio %	Number of securities	Carrying value RO	Cost RO
<b>30 June 2023</b>				
<b>HSBC Bank of Oman SAOG</b>	<b>59.82%</b>	<b>20,663,885</b>	<b>3,306,216</b>	<b>3,155,988</b>
30 June 2022				
HSBC Bank of Oman SAOG	54.27%	20,663,885	2,582,987	3,155,988
31 December 2022				
HSBC Bank of Oman SAOG	60.54%	20,663,885	3,430,207	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 717,880 (30 June 2022 - RO 2,903,199 and 31 December 2022 - RO 3,696,893) is restricted.
- c) Currently the percentage of HSBC Bank Oman SOAG investment in relation to overall investments of the Company is 12.16% (30 June 2022 – 10.23% and 31 December 2022 - 13.08%) 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:

	(Unaudited) 30 June 2023 RO	(Unaudited) 30 June 2022 RO	(Audited) 31 December 2022 RO
<i>Quoted investments</i>			
Level 1 hierarchy	4,709,484	3,935,368	4,848,883
<i>Unquoted investments</i>			
Level 2 hierarchy	72,884	72,593	72,593
<b>Total</b>	<b>4,782,368</b>	<b>4,007,961</b>	<b>4,921,476</b>

## 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 during the previous period, there was a movement from level 3 fair value hierarchy in 2022 to level 1 fair value hierarchy in the current period. 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 June 2023, 30 June 2022 and 31 December 2022.

## 9. INVESTMENTS HELD TO MATURITY

- a) Investments held to maturity comprise the following:
  - i) Investment in Government International Bonds with interest at 7.375% are due to mature in 2032.
- b) Fair value of held to maturity investments as of 30 Jun 2023 was RO 1.982 million (30 Jun 2022 – RO 250K and 31 December 2022 - RO 2.24 million).
- c) As at 30 June 2023, transfer of investments held to maturity amounting to RO 1,981,946 (30 June 2022 - Nil and 31 December 2022 - RO 1,992,901) is restricted.

## 10. RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposits, investments carried at fair value through profit or loss and investments held to maturity included in the unaudited interim condensed statement of financial position at their carrying amount of RO 8,704,826 (30 June 2022 - RO 9,854,199 and 31 December 2022 - RO 11,694,794). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

## 11. 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 1,730,000 based upon an independent external valuation carried at 31 December 2022.
- 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 11,450,000 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 31.76 % (30 June 2022 – 36.03%; 31 December 2022 – 33.57%) 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.

## 12. LEASES

- a) The Company enters into leasing arrangements for the branch offices across various locations in the Sultanate of Oman. The average lease term for the premises is around 2 to 5 years.

### 13. PROPERTY AND EQUIPMENT

- a) The freehold land and buildings comprise a portion of the property held by the Company located at Al Khuwair, Sultanate of Oman. In the previous year, the construction of new building had been completed. Accordingly, an amount equivalent to the percentage change in use, previously classified as property and equipment, has been transferred to investment property based on the area occupied for the Company's administrative purposes.

The depreciation charge for the period included under property and equipment, investment properties and right-of-use assets have been allocated as follows:

	(Unaudited) 30 June 2023 RO	(Unaudited) 30 June 2022 RO
Property and equipment	62,543	63,838
Investment property	167,348	168,409
Right-of-use assets	28,519	48,965
	<b>258,410</b>	<b>281,212</b>

### 14. SHARE CAPITAL

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

	(Unaudited) 30 June 2023 RO	(Unaudited) 30 June 2022 RO	(Audited) 31 December 2022 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:

	(Unaudited) 30 June 2023		(Unaudited) 30 June 2022		(Audited) 31 December 2022
	% holding	No. of shares	% holding	No. of shares	No. of shares
Waleed Omar Abdulmunim Al Zawawi	19.98	2,202,685	19.98	2,202,685	2,202,685

### 15. 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

	(Unaudited) 30 June 2023 RO	(Unaudited) 30 June 2022 RO	(Audited) 31 December 2022 RO
At the beginning of the period/year	3,438,652	3,174,755	3,174,755
Transfer during the period/year	-	117,028	263,897
At the end of the period/year	3,438,652	3,291,783	3,438,652

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.

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.

## 16. 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.

	(Unaudited) 1 April 2023 to 30 June 2023 RO	(Unaudited) 1 April 2022 to 30 June 2022 RO
Premiums written from related parties	3,721,540	3,071,745
Claims paid to related parties	124,532	79,029
Purchases of goods and services from related parties	105	8,607
Dividend income	-	4,876
Bonus shares (number of shares)	-	75,014

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

	(Unaudited)	(Unaudited)
	1 April 2023 to 30 June 2023 RO	1 April 2022 to 30 June 2022 RO
Short term employment benefits	160,985	194,132
End of service benefits	3,687	4,117
Directors' sitting fees	11,900	9,500
	<b>176,572</b>	<b>207,749</b>

- c) The premiums due from and due to related parties are unsecured, repayable on normal credit terms and not subject to interest (31 December 2022 and 30 June 2022 – similar terms and conditions).
- d) The balances with related parties at the reporting date have been separately disclosed in these unaudited interim condensed financial statements.

## 17. 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.

	<b>General insurance RO</b>	<b>Medical insurance RO</b>	<b>Life insurance RO</b>	<b>Total RO</b>
<b>At 30 June 2023 (unaudited)</b>				
Gross written premiums arising from insurance contracts issued	11,501,328	2,009,770	293,823	13,804,921
(Loss)/profit for the period	(377,232)	(152,437)	162,899	(366,770)
<b>At 30 June 2022 (unaudited)</b>				
Gross written premiums arising from insurance contracts issued	8,058,232	1,740,121	312,381	10,110,734
Profit/(loss) for the period	574,245	(202,297)	101,315	473,263

	<b>General insurance RO</b>	<b>Medical insurance RO</b>	<b>Life insurance RO</b>	<b>Total RO</b>
<b>The total assets for each segment are as follows:</b>				
At 30 June 2023	40,386,768	1,726,297	4,260,933	46,373,998
At 30 June 2022	35,050,996	2,890,591	4,594,059	42,535,646
At 31 December 2022	32,964,066	3,375,138	4,181,309	40,520,513

<b>The total liabilities for each segment are as follows</b>				
At 30 June 2023	26,659,044	937,596	1,193,939	28,790,579
At 30 June 2022	22,615,159	853,501	1,113,056	24,581,716
At 31 December 2022	20,575,828	1,210,544	783,952	22,570,324