

Oman Reinsurance Company SAOC

**Condensed interim financial information for
the six months period ended 30 June 2020
(unaudited)**

Oman Reinsurance Company SAOC

Condensed interim financial information for the six months period ended 30 June 2020

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Independent auditor's review report on the condensed interim financial information to the Board of Directors of Oman Reinsurance Company SAOC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Oman Reinsurance Company SAOC ("the Company") as at 30 June 2019, and the related condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in shareholders' equity, the condensed interim statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes ("the condensed interim financial information"). Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of condensed interim financial information that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting".

BDO

Date: 13 August 2019
Muscat



Bipin Kapur
Bipin Kapur
Partner

Oman Reinsurance Company SAOC
Condensed interim statement of financial position as at 30 June 2020
(Expressed in Omani Rial)

	Notes	30 June 2020 (Un-audited)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	135,717	151,690
Investment property	7	1,900,000	1,900,000
Investment property under development	8	125,192	125,192
Intangible assets	6	42,439	46,247
Fair value through other comprehensive income investments	9	15,386,777	13,272,373
Non-current portion of bank deposits	20	6,750,000	7,878,268
Total non-current assets		<u>24,340,125</u>	<u>23,373,770</u>
Current assets			
Insurance and other receivables	10	6,039,848	5,302,358
Accrued income	11	15,092,751	8,660,833
Deferred policy acquisition costs	18	3,371,250	2,553,591
Reinsurers' share of insurance funds	16	31,307,659	24,179,307
Current portion of bank deposits	20	9,703,268	6,075,000
Cash and cash equivalents	21	4,357,635	6,360,654
Total current assets		<u>69,872,411</u>	<u>53,131,743</u>
Total assets		<u>94,212,536</u>	<u>76,505,513</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	30,000,000	30,000,000
Legal reserve	13	198,160	198,160
Investment fair value reserve		(781,593)	(975,464)
Contingency reserve	14	1,691,799	1,691,799
Accumulated losses		(7,170,952)	(7,835,206)
Total capital and reserves		<u>23,937,414</u>	<u>23,079,289</u>
Non-current liabilities			
Employee benefit liabilities	15	156,847	156,531
Total non-current liabilities		<u>156,847</u>	<u>156,531</u>
Current liabilities			
Technical provisions	16	53,581,520	41,465,187
Reinsurers' premium and other payables	17	15,206,157	10,413,587
Deferred commission income	18	1,330,598	1,390,919
Total current liabilities		<u>70,118,275</u>	<u>53,269,693</u>
Total equity and liabilities		<u>94,212,536</u>	<u>76,505,513</u>
Net assets per share	28	<u>0.80</u>	<u>0.77</u>

The unaudited condensed interim financial information, as set out on pages 2 to 19, were approved and authorised for issue by the Board of Directors on 13 August 2020 and were signed on their behalf by:

Director 




Director

Oman Reinsurance Company SAOC

Condensed interim statement of profit or loss and other comprehensive income for the six months period ended 30 June 2020
(Expressed in Omani Rial)

	Notes	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (Un-audited)
Income			
Gross premiums written	23	16,352,990	13,470,127
Net underwriting results	23	1,058,033	481,248
Investment and other income, net	24	935,807	648,018
		<u>1,993,840</u>	<u>1,129,266</u>
Expenses			
General and administrative expenses	25	(1,245,971)	(877,510)
Foreign exchange (losses) / gains, net		(83,615)	35,161
		<u>(1,329,586)</u>	<u>(842,349)</u>
Net profit before tax for the period		664,254	286,917
Income tax expense	22	—	—
Net profit after tax for the period		<u>664,254</u>	<u>286,917</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Valuation losses on fair value through other comprehensive income equity investments		(69,205)	(173,227)
Items that will or may be reclassified to profit or loss:			
Valuation gains on fair value through other comprehensive income on debt instruments		263,076	421,577
Other comprehensive income for the period	9	<u>193,871</u>	<u>248,350</u>
Total comprehensive income for the period		<u>858,125</u>	<u>535,267</u>
Earnings per share - basic and diluted	27	<u>0.022</u>	<u>0.010</u>

Oman Reinsurance Company SAOC
Condensed interim statement of changes in shareholders' equity for the six months period ended 30 June 2020
(Expressed in Omani Rial)

	Notes	Investment					Total
		Share capital	Legal reserve	Investment fair value reserve	Contingency reserve	Accumulated losses	
At 31 December 2018 (audited)		30,000,000	116,726	(534,389)	958,896	(8,215,120)	22,326,113
Effect of first-time adoption of IFRS 9				(379,914)		379,914	
As at 1 January 2019		<u>30,000,000</u>	<u>116,726</u>	<u>(914,303)</u>	<u>958,896</u>	<u>(7,835,206)</u>	<u>22,326,113</u>
Net profit after tax for the period						286,917	286,917
Other comprehensive income for the period				248,350			248,350
As at 30 June 2019 (unaudited)		<u>30,000,000</u>	<u>116,726</u>	<u>(665,953)</u>	<u>958,896</u>	<u>(7,548,289)</u>	<u>22,861,380</u>
Net profit after tax for the period						527,420	527,420
Other comprehensive loss for the period				(309,511)			(309,511)
Transferred to legal reserve	13		81,434			(81,434)	
Transferred to contingency reserve	14				732,903	(732,903)	
As at 31 December 2019 (audited)		<u>30,000,000</u>	<u>198,160</u>	<u>(975,464)</u>	<u>1,691,799</u>	<u>(7,835,206)</u>	<u>23,079,289</u>
Net profit after tax for the period						664,254	664,254
Other comprehensive income for the period	9			193,871			193,871
As at 30 June 2020 (unaudited)		<u>30,000,000</u>	<u>198,160</u>	<u>(781,593)</u>	<u>1,691,799</u>	<u>(7,170,952)</u>	<u>23,937,414</u>

Oman Reinsurance Company SAOC

Condensed interim statement of cash flows for the six months period ended 30 June 2020 (Expressed in Omani Rial)

	Notes	Period from 1 January 2020 to 30 June 2020 (un-audited)	Period from 1 January 2019 to 30 June 2019 (un-audited)
Operating activities			
Net profit after tax for the period		664,254	286,917
Adjustments for:			
Depreciation	5	31,160	21,787
Gain on sale of FVOCI investments		(178,001)	-
Amortisation of intangible assets	6	6,993	2,793
Interest income from bank deposits		(725,246)	(593,002)
Dividend income	24	(33,867)	(34,245)
Gain on disposal of property, plant and equipment		(49)	-
Provision for employee benefit liabilities	26	23,613	46,779
Operating loss before working capital changes		(211,143)	(268,971)
Working capital changes			
Insurance and other receivables		(332,683)	(954,019)
Accrued income		(6,375,528)	(4,614,113)
Deferred policy acquisition costs		(877,980)	(159,983)
Insurance funds		4,987,981	2,039,756
Reinsurers' premium and other payables		4,387,763	3,923,848
Cash generated from/(used in) operating activities		1,578,410	(33,482)
Employee benefit liabilities paid		(23,297)	-
Net cash generated from/(used in) operating activities		1,555,113	(33,482)
Investing activities			
Purchase of property, plant and equipment	5	(15,218)	(44,568)
Proceeds from disposal of property, plant and equipment		80	-
Purchase of fair value through other comprehensive income investments	9	(4,812,521)	(1,017,055)
Proceeds from disposal of fair value through other comprehensive income investments		3,069,989	798,373
Cost of acquisition of intangible assets	6	(3,185)	(25,572)
Bank deposits and term deposits, net		(2,500,000)	(537,000)
Interest income received from bank deposits		668,856	509,859
Dividend income received	24	33,867	34,245
Net cash used in investing activities		(3,558,132)	(281,718)
Net decrease in cash and cash equivalents			
Cash and cash equivalents, beginning of the year		6,360,654	5,178,952
Cash and cash equivalents, end of the year	21	4,357,635	4,863,752

Oman Reinsurance Company SAOC

Notes to the condensed interim financial information for the six months period ended 30 June 2020 (Expressed in Omani Rial)

1 Legal status and principal activities

Oman Reinsurance Company SAOC ("the Company") is a closely held Omani joint stock company registered on 4 August 2008 with the Ministry of Commerce and Industry, in accordance with the provisions of the Commercial Companies Law 1974, as amended, and the Oman Insurance Companies Law 1979 of the Sultanate of Oman. The Company obtained a license to operate reinsurance business on 2 July 2009 from the Capital Market Authority. The Company is engaged in underwriting reinsurance business including fire, engineering, accident, medical, motor and aviation classes.

The Company's principal place of business is located at Al Khuwair, Muscat, Sultanate of Oman.

The condensed interim financial information was approved for issue by the Board of Directors on 13 August 2020.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial information for the six months period ended 30 June 2020 has been presented in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The accounting policies adopted in preparation of the condensed interim financial information are the same that were followed as at, and for the year ended, 31 December 2019. These condensed interim financial information should therefore be read in conjunction with the audited annual financial statements prepared as at, and for the year ended, 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

(b) Basis of presentation

The condensed interim financial information for the six months period ended 30 June 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the Company's annual audited financial statements prepared as at, and for the year ended, 31 December 2019.

(c) Functional currencies

The condensed interim financial information is presented in Omani Rials (RO) which is the functional and reporting currency for the Company.

3 Adoption of new and revised IFRS

New and amended standards effective and adopted at 1 January 2020

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards, amendments and interpretations issued but not yet effective at 1 January 2020

The Company has not early adopted any standard, interpretation or amendment that has been issued by the International Accounting Standards Board but is not yet effective.

Standards, amendments and interpretations issued but not yet effective in the period 2020

IFRS 17 "Insurance Contracts"

IFRS 17, "Insurance Contracts" requires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

Oman Reinsurance Company SAOC

Notes to the condensed interim financial information for the six months period ended 30 June 2020

(Expressed in Omani Rial)

3 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2019 (continued)

IFRS 17 "Insurance Contracts" (continued)

The Company is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

There would be a material change in the operational results of the Company for the period ended 30 June 2020 had the Company early adopted the above standard as the Company is engaged in underwriting reinsurance business. However, the management is expected to apply the standard from its effective date of 1 January 2023.

4 Significant accounting policies, critical accounting estimates and key source of estimation uncertainty

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual figures may differ from these estimates and judgements. While preparing the unaudited condensed interim financial information, the significant judgements made by the management in applying the accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the annual audited financial statements as at, and for the year ended, 31 December 2019.

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 information does not include all financial risk management information and disclosures required in the annual audited financial statements, and should therefore be read in conjunction with the annual audited financial statements prepared as at, and for the year ended, 31 December 2019. There has been no change in the risk management policies since 31 December 2019.

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Notes to the condensed interim financial information for the six months period ended 30 June 2020

(Expressed in Omani Rial)

5 Property, plant and equipment

(a) The movement in property and equipment is as set out below:

	Motor vehicles	Furniture and fixtures	Office equipment	Total
2020				
Cost				
At 1 January 2020	37,260	201,372	154,841	393,473
Additions during the period	-	4,014	11,204	15,218
Disposals during the period	-	-	(245)	(245)
At 30 June 2020	<u>37,260</u>	<u>205,386</u>	<u>165,800</u>	<u>408,446</u>
Accumulated depreciation				
At 1 January 2020	5,058	118,122	118,603	241,783
Charge for the period	4,657	17,210	9,293	31,160
Relating to disposals	-	-	(214)	(214)
At 30 June 2020	<u>9,715</u>	<u>135,332</u>	<u>127,682</u>	<u>272,729</u>
Net book amount				
At 30 June 2020	<u>27,545</u>	<u>70,054</u>	<u>38,118</u>	<u>135,717</u>
2019				
Cost				
At 1 January 2019	16,300	156,722	142,389	315,411
Additions during the year	37,260	44,650	12,452	94,362
Disposals during the year	(16,300)	-	-	(16,300)
At 31 December 2019	<u>37,260</u>	<u>201,372</u>	<u>154,841</u>	<u>393,473</u>
Accumulated depreciation				
At 1 January 2019	16,300	95,197	99,374	210,871
Charge for the year	5,058	22,925	19,229	47,212
Relating to disposals	(16,300)	-	-	(16,300)
At 31 December 2019	<u>5,058</u>	<u>118,122</u>	<u>118,603</u>	<u>241,783</u>
Net book amount				
At 31 December 2019	<u>32,202</u>	<u>83,250</u>	<u>36,238</u>	<u>151,690</u>

(b) The Company is operating from premises leased at a monthly rental of RO 4,989 (2019: RO 5,650 monthly).

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Notes to the condensed interim financial information for the six months period ended 30 June 2020 (Expressed in Omani Rial)

6 Intangible assets	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
The movement in intangible assets is as follows:-		
Land:		
Cost		
As at 1 January	195,058	143,486
Acquisitions during the period/year	3,185	51,572
As at 30 June/31 December	<u>198,243</u>	<u>195,058</u>
Accumulated amortisation		
As at 1 January	148,811	140,146
Charge for the period/year	6,993	8,665
As at 30 June/31 December	<u>155,804</u>	<u>148,811</u>
Net book amount		
As at 30 June/31 December	<u>42,439</u>	<u>46,247</u>

Intangible assets comprise of multiple software licenses which are being amortised over a period of 4 years. The management of the Company has performed impairment testing of the license fee and, concluded that, no impairment is considered necessary.

7 Investment property	30 June 2020 (Un-audited)	31 December 2019 (audited)
Cost		
At 1 January and at 30 June/31 December	<u>1,900,000</u>	<u>1,900,000</u>
	<u>1,900,000</u>	<u>1,900,000</u>

The property which is located at Ghala, Muscat, Sultanate of Oman is currently under development (Refer Note 7). The carrying amount of the investment property is the aggregate fair value (Level-3 fair value hierarchy) as determined by the independent property valuer. Fair value was determined as being the most probable price the property can fetch in a competitive open market. The property has been valued by an independent valuer on an open market basis as at 21 January 2020 at RO 2,100,000. However, based on current market situation and management's estimate of costs involved in disposing-off the property (land), management considers that the fair market value of investment property of RO 1,900,000 is appropriate.

8 Investment property under development	30 June 2020 (Un-audited)	31 December 2019 (audited)
Opening balance	125,192	48,239
Additions during the period/year	-	76,953
Closing balance	<u>125,192</u>	<u>125,192</u>

Investment property under development represents amounts spent on designing and planning of the office building and other directly attributable costs towards the development of the investment property located in Ghala, Muscat, Sultanate of Oman.

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Notes to the condensed interim financial information for the six months period ended
30 June 2020

(Expressed in Omani Rial)

9 Fair value through other comprehensive income investments

	Fair value		Average cost	
	30 June 2020 (Un-audited)	31 December 2019 (audited)	30 June 2020 (Un-audited)	31 December 2019 (audited)
Quoted investments:				
Bonds	14,795,843	12,612,234	14,310,389	12,383,335
Equity securities	590,934	660,139	2,025,181	2,025,181
	<u>15,386,777</u>	<u>13,272,373</u>	<u>16,335,570</u>	<u>14,408,516</u>

(a) Movement in investments can be summarised as below:

	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
At 1 January	13,272,373	13,679,809
Purchases during the period/year	4,812,521	4,506,710
Sales during the period/year	(2,891,988)	(4,843,483)
Net change in fair value	193,871	(61,161)
Amortisation during the period/year	-	(9,502)
At 30 June/31 December	<u>15,386,777</u>	<u>13,272,373</u>

(b) Investment fair value reserve:

Movement in the investment fair value reserve can be summarised as below:

	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
Opening balance	975,461	534,389
Effect of first-time adoption of IFRS 9	-	379,911
At 1 January	975,461	914,300
Net change in fair value during the period/year	(193,871)	61,161
Closing balance	<u>781,590</u>	<u>975,461</u>

10 Insurance and other receivables

	30 June 2020 (Un-audited)	31 December 2019 (audited)
Due from insurance and reinsurance companies (gross)	4,777,938	4,015,532
Less: provision for impaired insurance and reinsurance receivables	(1,053,719)	(1,053,719)
Due from insurance and reinsurance companies (net)	<u>3,724,219</u>	<u>2,961,813</u>
Loans and advances (gross)	251,102	426,972
Less: provision for impaired loans and advances	(18,380)	(18,380)
Loans and advances (net)	<u>232,722</u>	<u>408,592</u>
Reserves withheld by cedents	2,042,255	1,886,037
Prepaid expenses	40,652	45,916
	<u>6,039,848</u>	<u>5,302,358</u>

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Notes to the condensed interim financial information for the six months period ended 30 June 2020

(Expressed in Omani Rial)

10 Insurance and other receivables (continued)

The movement in provision for impaired insurance and reinsurance receivables is as follows:

Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
---	--

At 1 January and
at 30 June/31 December

1,053,719	1,053,719
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The movement in impaired loans and advances is as follows:

Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
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At 1 January and
at 30 June/31 December

18,380	18,380
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11 Accrued income

Accrued insurance premium
Impairment provision

30 June 2020 (Un-audited)	31 December 2019 (audited)
14,405,295	8,029,767
(15,000)	(15,000)
<u>14,390,295</u>	<u>8,014,767</u>
Interest accrued on investments	
702,456	646,066
<u>15,092,751</u>	<u>8,660,833</u>

The movement in provision for impaired accrued insurance premium is as follows:

Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
---	--

At 1 January and
at 30 June/31 December

15,000	15,000
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12 Share capital

The authorised, issued and fully paid-up share capital of the Company, registered with the Ministry of Commerce and Industry, is RO 30,000,000 (2019:RO 30,000,000), comprising of 30,000,000 shares of RO 1 each (2019: 30,000,000 shares of RO 1 each).

The shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the percentage of shares held by them are as follows:

	30 June 2020 (Un-audited)	31 December 2019 (audited)
Trust International Insurance & Reinsurance Company B.S.C. (Bahrain)	29.97%	29.97%
Qatar General Insurance & Reinsurance Company S.A.Q.	24.58%	24.58%
Omar Zawawi Establishment LLC	15.50%	15.50%
Ziliano Investments	10.00%	10.00%

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Notes to the condensed interim financial information for the six months period ended 30 June 2020

(Expressed in Omani Rial)

13 Legal reserve

In accordance with Article 106 of the Commercial Companies Law of the Sultanate of Oman, 10% of the Company's net profit for the year is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the period from 1 January 2020 to 30 June 2020, the Company has not transferred any amount to the legal reserve as this will be transferred at the year-end (31 December 2019: RO 81,434).

14 Contingency reserve

In accordance with the Capital Market Authority Decision No. 19/2007, issued on 4 June 2007 as authorised by Royal Decree number 34/2007, 10% of the outstanding claims at the reporting date is required to be transferred to a contingency reserve which is not distributable without the prior approval of the Capital Market Authority. The Company may discontinue such annual transfers when the contingency reserve equals the Company's paid-up share capital.

For the period from 1 January 2020 to 30 June 2020, no amount has been transferred to the contingency reserve as the Company intends to transfer this amount at the year-end (31 December 2019: RO 732,903).

15 Employee benefit liabilities

	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
As at 1 January	156,531	90,462
Provision for the period/year	23,613	67,187
Charged to capital work-in-progress	-	1,512
Payments during the period/year	(23,297)	(2,630)
As at 30 June/31 December	<u>156,847</u>	<u>156,531</u>

16 Reinsurers share of insurance funds and technical provisions

The movement in reinsurer's share of insurance funds and technical provisions is given below.

30 June 2020	Gross	Reinsurance	Net
Claims			
At 1 January	30,834,082	18,774,545	12,059,537
Increase in provision during the period	10,532,958	7,013,895	3,519,063
Claims settled during the period	(3,172,695)	(1,703,527)	(1,469,168)
At 30 June	<u>38,194,345</u>	<u>24,084,913</u>	<u>14,109,432</u>
Unearned premium			
At 1 January	10,631,105	5,404,762	5,226,343
Increase in provision during the period	15,387,175	7,222,746	8,164,429
Release of unearned premium	(10,631,105)	(5,404,762)	(5,226,343)
At 30 June	<u>15,387,175</u>	<u>7,222,746</u>	<u>8,164,429</u>
Total technical provisions	<u>53,581,520</u>	<u>31,307,659</u>	<u>22,273,861</u>

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Notes to the condensed interim financial information for the six months period ended 30 June 2020

(Expressed in Omani Rial)

16 Reinsurers share of insurance funds and technical provisions (continued)

31 December 2019	Gross	Reinsurance	Net
Claims			
At 1 January	23,435,411	13,313,017	10,122,394
Increase in provision during the year	14,763,444	8,959,241	5,804,203
Claims settled during the year	(7,364,773)	(3,497,713)	(3,867,060)
At 31 December	<u>30,834,082</u>	<u>18,774,545</u>	<u>12,059,537</u>
Unearned premium			
At 1 January	10,410,126	5,505,237	4,904,889
Increase in provision during the year	10,631,105	5,404,762	5,226,343
Release of unearned premium	(10,410,126)	(5,505,237)	(4,904,889)
At 31 December	<u>10,631,105</u>	<u>5,404,762</u>	<u>5,226,343</u>
Total technical provisions	<u>41,465,187</u>	<u>24,179,307</u>	<u>17,285,880</u>

Claims include incurred but not reported (IBNR) provision is as follows:

30 June 2020	Gross	Reinsurance	Net
IBNR			
At the beginning of the period	7,419,138	3,820,032	3,599,106
Movement of IBNR during the period	634,583	(259,730)	894,313
At the end of the period	<u>8,053,721</u>	<u>3,560,302</u>	<u>4,493,419</u>
31 December 2019			
IBNR			
At the beginning of the year	8,517,860	4,522,929	3,994,931
Movement of IBNR during the year	(1,098,722)	(702,897)	(395,825)
At the end of the year	<u>7,419,138</u>	<u>3,820,032</u>	<u>3,599,106</u>

17 Reinsurance premium and other payables

	30 June 2020 (Un-audited)	31 December 2019 (audited)
Reinsurance premium accrued	7,796,341	4,039,549
Payable to cedents and retro-cessionaires	5,860,117	5,110,676
Advances and deposits retained	1,184,117	1,131,847
Other payables	365,582	131,515
	<u>15,206,157</u>	<u>10,413,587</u>

18 Deferred policy acquisition costs and deferred commission income

(a) The movement in deferred policy acquisition costs is as follows:

	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
As at 1 January	2,553,591	2,657,000
Charge for the period/year	(2,296,934)	(4,614,551)
Payments during the period/year	<u>3,114,593</u>	<u>4,511,142</u>
As at 30 June/31 December	<u>3,371,250</u>	<u>2,553,591</u>

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18 Deferred policy acquisition costs and deferred commission income (continued)

(b) The movement in deferred commission income is as follows:	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Year ended 31 December 2019 (audited)
As at 1 January	1,390,919	1,585,101
Commission income paid during the period/year	(1,141,226)	(2,830,732)
Commission income received during the period/year	1,080,905	2,636,550
As at 30 June/31 December	<u>1,330,598</u>	<u>1,390,919</u>
	<u>2,040,652</u>	<u>1,162,672</u>

19 Related party transactions and balances

Related parties comprise the shareholders, directors, business entities in which they have the ability to control or exercise significant influence in financial and operating decisions and with senior management. The Company has entered into transactions with entities related to the shareholders or directors. In the ordinary course of business, such related parties provide services to the Company. The transactions are carried on mutually agreed terms and are at arms length. During the period, the following transactions were carried out with the related parties:

(a) Significant transactions during the period with related parties are as follows:	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (audited)
Shareholders with significant influence:		
Gross		
Gross premium	<u>2,837,338</u>	<u>2,280,056</u>
Commission expense	<u>498,232</u>	<u>199,138</u>
Claims expense	<u>225,267</u>	<u>197,296</u>
Reinsurance		
Premium ceded	<u>718,547</u>	<u>1,066,418</u>
Commission income	<u>68,957</u>	<u>156,549</u>
Claims recovery	<u>224,707</u>	<u>563,755</u>
Management fees		
Management fees	<u>42,993</u>	<u>-</u>
(b) Key management compensation:		
Directors' remuneration		
Directors' sitting fees	<u>15,000</u>	<u>17,600</u>
Key management remuneration		
Salaries and employment benefits	<u>137,400</u>	<u>119,900</u>

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19 Related party transactions and balances (continued)

	30 June 2020 (Un-audited)	31 December 2019 (audited)
(c) Related party balances		
Shareholders with significant influence:		
Gross		
Premiums receivables	<u>349,122</u>	<u>2,289,855</u>
Outstanding claims payables	<u>9,196,800</u>	<u>14,847,040</u>
Reinsurance		
Premiums payables	<u>17,969</u>	<u>4,512</u>
Outstanding claims receivables	<u>1,777,646</u>	<u>1,797,386</u>
20 Bank deposits		31 December
	30 June 2020 (Un-audited)	2019 (audited)
Non-current portion of bank deposits	6,750,000	7,878,268
Current portion of bank deposits	9,703,268	6,075,000
	<u>16,453,268</u>	<u>13,953,268</u>

Bank deposits represent deposits placed with a commercial bank in the Sultanate of Oman, which are denominated in RO and earn interest at commercial rates ranging between 4.50% to 4.80% per annum (31 December 2019: 3.6% to 4.8% per annum). The deposits which are due for maturity after one year have, been disclosed as part of non-current assets.

The current portion of bank deposits represents deposits which will mature after 3 months but before 1 year. Deposits maturing within 3 months have been disclosed as part of cash and cash equivalents.

21 Cash and cash equivalents

For the purposes of the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2020 (Un-audited)	31 December 2019 (audited)
Current and call account balances with banks	3,357,635	2,360,654
Short-term fixed deposits	1,000,000	4,000,000
	<u>4,357,635</u>	<u>6,360,654</u>

The current account balances with banks are non-interest bearing.

Balances in call accounts and short-term fixed deposits with local commercial banks earn interest rates ranging between 0.1% and 4.0% per annum (31 December 2019: between 0.1% and 4.0% per annum).

22 Taxation

- (a) Tax assessments of the Company for the years upto 2016 have been finalised. Tax assessments for the years 2017 to 2019 have not yet been agreed with the Oman Tax Authority. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 30 June 2020.

The Company has reported a net taxable profit for the period. However, sufficient carry forward losses from prior years are available to set-off against current periods income. Therefore, the effective tax rate is nil. The effective tax rate cannot be determined in view of nil tax charge for the period.

Deferred tax asset is prudently not recognised as management is of the view that the Company's operations, by their inherent nature, are exposed to certain variables that create uncertainty over availability of sufficient future taxable profits against which deferred tax assets can be utilised prior to its expiry.

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23 Net underwriting results	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (Un-audited)
Income		
Gross premium written	16,352,990	13,470,127
Movement in unearned premium reserve	(4,756,070)	(3,596,322)
Insurance premium revenue (a)	<u>11,596,920</u>	<u>9,873,805</u>
Reinsurance premium ceded	(7,689,168)	(8,674,650)
Movement in unearned premium reserve	1,817,984	2,720,475
Insurance premium retroceded to reinsurers (b)	<u>(5,871,184)</u>	<u>(5,954,175)</u>
Net insurance premium earned (c) = (a) + (b)	5,725,736	3,919,630
Gross claims paid	(3,172,695)	(3,128,311)
Reinsurance recoveries	1,703,527	1,519,668
Net claims paid	(1,469,168)	(1,608,643)
Change in provision for outstanding claims, gross	(7,360,263)	(4,632,947)
Change in provision for outstanding claims, reinsurance	5,310,368	3,469,037
Claims and related expenses (d)	<u>(3,519,063)</u>	<u>(2,772,553)</u>
Policy acquisition costs	(3,114,593)	(2,860,922)
Policy acquisition costs recovered from reinsurers	1,080,905	1,995,106
Change in deferred policy acquisition costs	877,980	159,981
Interest on premium reserve	7,068	40,006
Total policy acquisition costs (e)	<u>(1,148,640)</u>	<u>(665,829)</u>
Net insurance benefits and claims (f) = (d) + (e)	<u>(4,667,703)</u>	<u>(3,438,382)</u>
Net underwriting results (g) = (c) + (f)	<u>1,058,033</u>	<u>481,248</u>
24 Investment and other income - net	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (Un-audited)
Interest on term deposits and bonds	725,246	593,002
Dividend income	33,867	34,245
Realised gain on sale of investments at fair value through other comprehensive income	178,001	22,951
Gain on sale of property, plant and equipment	49	-
Investment expenses	(1,921)	(2,372)
Miscellaneous income	565	192
	<u>935,807</u>	<u>648,018</u>

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25 General and administrative expenses	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (Un-audited)
Salaries and other related staff costs (Note 25)	892,774	656,792
Legal and professional fees	59,717	34,845
Rent (short-term leases)	29,933	33,899
Meeting related expenses	22,112	32,590
Business travel expenses	4,718	28,203
Depreciation and amortisation (Notes 5 and 6)	38,153	24,580
Advertising and business promotion expenses	12,272	18,012
Computer expenses	24,569	13,323
Telephone, fax and postage	10,744	8,472
Office maintenance	5,395	2,382
Consultancy	82,798	5,210
Miscellaneous expenses	62,786	19,202
	<u>1,245,971</u>	<u>877,510</u>

26 Salaries and other related staff costs	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (Un-audited)
Salaries and allowances	773,560	487,107
Provision for leave salaries	50,723	49,304
Contribution to employee benefits	23,613	45,624
Social security costs	30,311	24,643
Other staff costs	14,567	50,114
	<u>892,774</u>	<u>656,792</u>

27 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Period from 1 January 2020 to 30 June 2020 (Un-audited)	Period from 1 January 2019 to 30 June 2019 (un-audited)
Weighted average number of shares (number)	<u>30,000,000</u>	<u>30,000,000</u>
Net profit for the period	<u>664,254</u>	<u>286,917</u>
Earnings per share - Basic and diluted	<u>0.022</u>	<u>0.010</u>

As there are no dilutive potential shares issued by the Company, the diluted earnings per share is same as the basic earnings per share.

28 Net assets per share

The calculation of the net assets per share is based on net assets as at 30 June 2020 attributable to ordinary shareholders divided by the number of shares outstanding at the period end.

	30 June 2020	31 December 2019
Net assets as at the period/year end (OMR)	23,937,414	23,079,289
Number of shares outstanding	30,000,000	30,000,000
Net assets per share (OMR)	<u>0.80</u>	<u>0.77</u>

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29 Operating segment

The Company has two reportable 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 technology and marketing strategies. For each of the strategic units, the Company's Board of Directors and senior management reviews internal management reports on at least a quarterly basis.

The Company has the following operating segments:

	30 June 2020			30 June 2019		
	Facultative	Treaty	Total	Facultative	Treaty	Total
Reinsurance revenue:						
Gross written premiums	8,088,026	8,264,964	16,352,990	9,357,958	4,112,169	13,470,127
Less: premiums ceded	(5,447,556)	(2,241,612)	(7,689,168)	(6,632,750)	(2,041,900)	(8,674,650)
Net written premium (a)	2,640,470	6,023,352	8,663,822	2,725,208	2,070,269	4,795,477
Gross unearned premium (movement)	(947,455)	(3,808,615)	(4,756,070)	(3,388,578)	(207,744)	(3,596,322)
Less: Reinsurance unearned premiums (movement)	999,669	818,315	1,817,984	2,761,130	(40,655)	2,720,475
Net unearned premiums (b)	52,214	(2,990,300)	(2,938,086)	(627,448)	(248,399)	(875,847)
Net insurance premium earned (c) = (a) + (b)	2,692,684	3,033,052	5,725,736	2,097,760	1,821,870	3,919,630
Cost of reinsurance revenue:						
Commission and tax paid	(1,026,444)	(2,088,149)	(3,114,593)	(1,932,407)	(928,515)	(2,860,922)
Reinsurance commission and tax recoveries	518,344	562,561	1,080,905	1,536,193	458,913	1,995,106
Net commission (d)	(508,100)	(1,525,588)	(2,033,688)	(396,214)	(469,602)	(865,816)
Deferred acquisition costs (movement)	(155,410)	973,069	817,659	669,329	(15,655)	653,674
Reinsurance deferred acquisition cost (movement)	202,592	(142,271)	60,321	(600,554)	106,861	(493,693)
Net deferred acquisition costs (e)	47,182	830,798	877,980	68,775	91,206	159,981
Interest on premium reserves (net)(f)	-	7,068	7,068	-	40,006	40,006
Net incurred acquisition costs (g) = (d) + (e) + (f)	(460,918)	(687,722)	(1,148,640)	(327,439)	(338,390)	(665,829)
Gross claims paid	(1,081,525)	(2,091,170)	(3,172,695)	(884,085)	(2,244,226)	(3,128,311)
Less: Reinsurance claims recovered	762,383	941,145	1,703,528	495,118	1,024,550	1,519,668
Net claims paid (h)	(319,142)	(1,150,025)	(1,469,167)	(388,967)	(1,219,676)	(1,608,643)
Change in gross out-standing claims	(5,770,934)	(954,746)	(6,725,680)	(4,227,401)	(1,184,983)	(5,412,384)
Less: change in reinsurance claims	5,054,469	515,628	5,570,097	3,289,861	723,867	4,013,728
Net out-standing claims (i)	(716,465)	(439,118)	(1,155,583)	(937,540)	(461,116)	(1,398,656)
IBNR movement (j)	(290,913)	(603,400)	(894,313)	(200,514)	435,260	234,746
Net incurred claims (k) = (h) + (i) + (j)	(1,326,520)	(2,192,543)	(3,519,063)	(1,527,021)	(1,245,532)	(2,772,553)
Total cost of insurance (l) = (k) + (g)	(1,787,438)	(2,880,265)	(4,667,703)	(1,854,460)	(1,583,922)	(3,438,382)
Net underwriting profit (m) = (c) + (l)	905,246	152,787	1,058,033	243,299	237,948	481,248
Loss ratio	49%	72%	61%	73%	68%	70.7%

Assets and liabilities of the Company are commonly used across the primary segments.

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30 Comparative figures

Certain comparative figures of the previous period/year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's condensed interim financial information. Such regrouping or reclassification did not affect previously reported net profit or shareholders' equity.

31 Significant events and transactions

COVID-19 impact

The outbreak of COVID-19, declared as a global pandemic by the World Health Organisation in March 2020, continues to spread across the world. The pandemic had significant impact on the Sultanate of Oman and other world economies and this is expected to continue for the near future.

The ongoing COVID-19 pandemic is a concern for reinsurers as the market will be exposed across many lines of business. However, the robust risk adjusted capitalisation would ensure that the reinsurers are in a good position to absorb any potential COVID-19 losses on both the underwriting and investments of the Company.

The Company's management has prudently and with a conservative approach, reviewed the potential impact of COVID-19 on its operations and is confident that most of the business areas are not expected to have any material impact from COVID-19 related stress.