

DIRECTORS' REPORT – 2019

Dear Shareholders:

I warmly welcome you to twelfth Annual General Meeting of the Shareholders and present to you the 12th Annual Report together with the Audited Financial Statements of Vision Insurance SAOG for the year ended December 31, 2019. Strong growth in realized Investment Income and valuation gains compensated for a subdued underwriting performance to yield a Comprehensive Income for the year of RO 1.54 Million against RO 1.69 Million in 2018. Realised investment income increased by 123% whilst Net Underwriting results before Expenses dropped by 18% to RO 3.77 Million. Profit Before Tax for 2019 was RO 1.43 Million against RO 1.85 Million reported for 2018. Profit after Tax was RO 1.22 Million against RO 1.58 Million for 2018.

MACRO OVERVIEW

Reports suggest that growth in Oman's real GDP in 2019 was constrained by the OPEC controls on oil production. The diversification initiatives implemented by the Government however contributed positively resulting in a 1.5% growth in non-hydrocarbon sector. The emphasis on promoting key sectors such as logistics, tourism, transport, mining, manufacturing, and fisheries has helped counter the dependence on contribution from oil sector. Austerities in spending on major projects and scale down in the number of foreign nationals have been the reasons for absence of growth in domestic demand. Inflation is estimated to remain at around 0.8% in 2019.

Oman's Budget for 2020 is expected to drive an accelerated growth rate of 3.7%. Increase in output of natural gas from new field in Khazzan, Harweel and Yibal will contribute to the growth in GDP in 2020. The government's continued emphasis on diversification initiatives is expected to result in increasing the rate of growth in non-hydrocarbon to about 4% annually in the medium-term. Growth in GDP and increase in consumer demand from increase in employment numbers of Omani nationals will facilitate sustenance of overall business environment in the medium term.

All the six regional bourses except Oman posted positive performance during 2019 with returns in the range from 1% to 23%. Oman however posted 7.92% negative performance during the year.

INSURANCE SECTOR REVIEW

Overall market premium increased by 5% over 2018, as per statistics published by Capital Market Authority for 2019 driven by 9% growth in Medical insurance. In view of limited growth opportunities in Non-Motor segment, companies turned the focus to Motor business to seek growth leading to further rate softening. Increased incidence of losses from natural catastrophes both globally and in Oman and the region have caused extreme hardening of reinsurance markets. There has been a flight of capital out of leading reinsurance markets and scale down of allocation of capital to the region impacting on insurance capacity for Omani risks.

Barring unforeseen catastrophic losses, the growth outlook at the macro level should drive the sector growth in 2020.

FINANCIAL HIGHLIGHTS

The financial highlights presented below are based on application of IFRS 15 in the presentation of financial statements. Main Financial highlights based on results reported for 2019 and 2018 are as presented below:

- Profit After Tax of RO 1.22 Million, against RO 1.58 Million in 2018 due to 18% drop in Underwriting results. Termination of loss making accounts and controlled underwriting at branches in the face of softening of market rates led to

drop in earned premium in Motor that impacted on the underwriting results. These measures will boost the results for 2020. Underwriting results were also impacted by lower income in Engineering portfolio due to non-recurrence of projects.

- Gross Written Premium dropped to RO 25.6 Million, by 7% over RO 27.5 Million in 2018.
- Net Earned Premium of RO 8.29 Million, against RO 9.11 Million in 2018 for reasons as explained above.
- General and Administration expenses was controlled at RO 3.39 Million against RO 3.29 Million in 2018
- Realised Investment Income was higher by RO 549K or 123% over 2018. These were in the main attributable to market gains from Saudi Arabia(7.19%), Kuwait(23.68%) and Dubai(9.29%). Comprehensive Income achieved was RO 1.54 Million against RO 1.69 Million in 2018 due to higher valuation gains at the yearend over that at the end of 2018.
- Shareholders' Net worth strengthened to RO 14.77 Million, growth of 6% over RO 13.98 Million at end of 2018

In summary, despite the macro and sector challenges, the profitable performance has been sustained in 2019.

PROPOSED DIVIDEND

Based on the retained earnings at December 31, 2019, your Board of Directors has proposed Cash Dividend at the rate of 8% of the Paid-Up Share Capital for the year 2019.

Shareholders will receive Cash Dividend of OMR 0.008 Baizas per Ordinary Share of 100 Baizas each aggregating to OMR 800,000 (Rials Omani Eight Hundred Thousand Only) on the Company's Paid-Up Share Capital of RO 10 Million.

OUTLOOK FOR 2020

Oman's economic growth rate for 2020 is projected at 3.7%. The initiatives such as enhanced the role of private sector in economic development, public-private partnerships (PPP), boost to Small and Medium Enterprises (SMEs), emphasis on job creation for Omani nationals, enactment of new laws to attract foreign capital investments are expected to support the growth targets set for 2020.

Progressive measures implemented such as rationalization of Motor portfolio, enhancement of IT capabilities through online portals, improvements to software applications for faster turn around to clients, enhancement of security standards, increase in branch network have been implemented to restore the Underwriting results of the company in line with past trend. Total number of branches at 31 December 2019 increased to 16 from 15 in 2018.

CORPORATE GOVERNANCE

The Board is committed to complying with the requirements of Code of Corporate Governance for public listed Companies formulated by Capital Market Authority in December 2015. A separate report on the status of implementation of various requirements under The Code is enclosed together with the related report of the External Auditors.

ACKNOWLEDGEMENTS:

We express our sense of deep sorrow at the sad demise of beloved father of our nation, the late His Majesty Sultan Qaboos bin Said. May Allah the most merciful grant eternal Peace to the departed Soul.

On behalf of all Board Members, the Management and employees of the Company, I express our profound sense of respect, admiration and gratitude to His Majesty Sultan Haitham Bin

Tarik for ensuring seamless transition and sustaining the visionary leadership for continued stability, growth and prosperity for Oman and the people of Oman. We remain thankful to Capital Market Authority and other regulatory authorities for their support. We greatly value the confidence and support extended to the Company by all our clients and business partners that has been critical to our profitable results in 2019 and we sincerely thank them all. All the Members of the Board of Directors join me in conveying our appreciation to the Management and staff of the Company for their dedication and commitment that has ensured the continued profitable performance of the Company.

We take this opportunity to thank and reaffirm our commitment to our Shareholders. We look ahead with a great sense of pride and self-esteem and reaffirm our commitment to His Majesty Sultan Haitham Bin Tarik to work with dedication for the growth and prosperity of our beloved Oman

Ali Mohammed Juma Al Lawati
 Chairman

February 23, 2020

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December

	2019 RO	2018 RO
Income:		
Gross insurance premiums written	25,643,875	27,481,589
Reinsurer's share of gross insurance premiums written	(18,026,347)	(18,550,689)
Net insurance premium written	7,617,528	8,930,900
Change in unearned premium reserve ("UPR"):		
Gross change in UPR	(686,083)	2,269,968
Reinsurer's share of UPR	1,361,463	(2,090,196)
Net change in UPR	675,380	179,772
Net insurance premium revenue earned	8,292,908	9,110,672
Investment income, net	991,080	442,985
Other operating income	225,531	183,692
Other income	62,950	97,077
	9,572,469	9,834,426
Expenses:		
Gross claims and loss adjustment expenses paid	20,385,062	17,848,511
Reinsurer's share of the gross claims and loss adjustment expenses paid	(14,040,424)	(12,694,011)
Gross change in insurance liabilities	2,724,007	16,262,914
Reinsurer's share of the gross change in insurance liabilities	(2,754,703)	(15,153,307)
Expenses on acquisition of insurance contracts (net)	(1,567,938)	(1,568,368)
General and administration expenses	3,392,059	3,291,821
	8,138,063	7,987,560
Profit for the year before tax	1,434,406	1,846,866
Income tax expense	(214,626)	(267,670)
Profit for the year	1,219,780	1,579,196
Other comprehensive income (expense) Items that will be reclassified to profit or loss		
Net change in fair value of available-for-sale investments	316,572	238,000
Impairment on available-for-sale investments recycled to profit or loss	-	(128,995)
Other comprehensive income (expense) for the year, net of tax	316,572	109,005
Total comprehensive income for the year	1,536,352	1,688,201
Earnings per share	0.012	0.016
Total comprehensive income per share	0.015	0.017

STATEMENT OF FINANCIAL POSITION as at 31 December

	2019 RO	2018 RO
ASSETS		
Cash and bank balances	2,453,638	4,971,016
Deposits	14,248,642	14,519,142
Insurance and other receivables	6,822,621	8,014,411
Reinsurance assets	31,339,380	27,223,214
Available-for-sale investments	6,885,004	6,488,486
Property, furniture and equipment	490,395	364,760
TOTAL ASSETS	62,239,680	61,581,029
EQUITY AND LIABILITIES		
Equity		
Share capital	10,000,000	10,000,000
Capital reserve	87,182	87,182
Fair value reserve	208,071	(108,501)
Legal reserve	1,072,832	950,854
Contingency reserve	2,550,258	2,205,765
Retained earnings	851,134	847,825
TOTAL EQUITY	14,769,477	13,983,125
Liabilities		
Insurance contract liabilities	37,867,274	34,457,184
Employees' end of service benefits	305,929	285,838
Trade and other liabilities	9,297,000	12,854,882
TOTAL LIABILITIES	47,470,203	47,597,904
TOTAL EQUITY AND LIABILITIES	62,239,680	61,581,029
Net assets per share (RO)	0.148	0.140

All financial data are available on the website of the Capital Market Authority. A copy in English or Arabic Language will be sent to any shareholders requesting so within 7 days from the date of receiving the request.

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