Notes
(forming part of the consolidated financial statements)

1 Legal status and principal activities

Muscat National Holding Company SAOG ("the Parent company") is registered as a public joint stock company in the Sultanate of Oman. The conversion of the Muscat Insurance Company SAOG (established on 16 January 1995) to Muscat National Holding Company SAOG was confirmed by the Administrative Order No. 1/99, dated 10 January 1999, of the Ministry of Commerce & Industry, Sultanate of Oman. The principal activity of the Parent company is dealing in investments. The principal activities of the subsidiaries are described in note 19. The registered address of the Parent company is PO Box 72, Postal Code 112, Sultanate of Oman. The principal office of the Parent company is located at Plot No. 848, Block 17/2, at Al Khuwair.

Muscat National Holding Company SAOG and its subsidiaries ("the Group") operate in the Sultanate of Oman.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Commercial Companies Law of 1974, as amended, and the disclosure requirements of the Capital Market Authority.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis and, accordingly, the historical cost basis is used except for the following:

- Unearned premium and outstanding claims provisions for life business determined based on actuarial techniques;
- financial instruments at fair value through statement of comprehensive income are measured at fair value; and
- available for sale financial assets are measured at fair value.

The methods used to measure fair values are discussed in note 3.

(c) Functional and presentation currency

These financial statements are presented in Rial Omani ("RO"), which is the Group's and the Parent company's functional currency.

(d) Changes in accounting policies

- The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of consolidated changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

  Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- The Group concluded that the segment reporting determined in accordance with International Financial Reporting Standard ("IFRS") 8 is the same as the business segments previously identified under IAS 14. Accordingly, the adoption of IFRS 8 has had no significant impact on these consolidated financial statements. IFRS 8 disclosures are shown in note 33 to the consolidated financial statements.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

2 Basis of preparation *(continued)*

(e) Use of estimates and judgments *(continued)*

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in note 4.

3 Significant accounting policies

The accounting policies applied by the Group and the Parent company are consistent with those applied by the Group and the Parent company for the year ended 31 December 2008 (refer 2(d) above).

3.1 Basis of consolidation

The consolidated financial statements comprise those of Parent Company and its subsidiaries.

Subsidiary
Subsidiary is an enterprise controlled by the Parent company. Control exists when the Parent company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the Subsidiary are included in the Consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation
Inter-company balances, transactions, and unrealised gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.2 Insurance contracts - classification

The Group's subsidiaries issue contracts that transfer insurance risk. Life insurance contracts issued by the subsidiary do not contain any discretionary participation features, which will entitle the contract holder to receive additional benefits or bonuses.

(a) General insurance

The general insurance contracts insure events listed below:

(i) Motor
Motor insurance in the Sultanate is governed by law and it is compulsory for all vehicles to have a minimum third party cover. The subsidiary also issues comprehensive motor policies. Such motor policies issued by the subsidiary cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Specific motor policies are also issued to include coverage outside the Sultanate.

(ii) Fire and Accident and Property
For these contracts the main risks are fire and business interruption.

(iii) Marine
For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

(b) Recognition and measurement – General insurance
Premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. A proportion of the net earned premiums (unearned premiums) is provided to cover portions of risks which have not expired at the statement of financial position date. The provision is calculated on the 1/24th basis. In addition provision is made where necessary for any further loss expected to arise on unexpired risks after taking into account future investment income on related insurance funds, to cover anticipated liabilities arising from existing contracts.

3 Significant accounting policies *(continued)*

3.2 Insurance contracts – classification *(continued)*

(b) Recognition and measurement – General insurance *(continued)*

An additional provision is created to cover any shortfall for each class of business between the total amount in the unearned premium provision and the amount required by the Insurance Companies Law of Oman calculated at 45% of the net retained premiums for the year for all classes of business.

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, whether reported or not. Provisions for reported claims not paid as at the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the underwriting account for that year.

(c) Recognition and measurement - Life insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or disability).

Premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the statement of financial position date. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commissions paid or payable.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the subsidiaries. The subsidiary does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the subsidiary and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Benefits payable to contract holders are recorded as an expense when they are incurred.

(d) Policy acquisition costs

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognized as expenses when incurred.

(e) Liability adequacy test

All outstanding claims including claims incurred but not reported (IBNR) are expected to be settled within twelve months from the statement of financial position date. The amount outstanding for each claim is reviewed on a regular basis and at least quarterly and the amount adjusted in the statement of comprehensive income whenever considered necessary.

Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the premiums are recognized based on actuarial valuation. The liabilities are recalculated at each statement of financial position date using the assumptions established at inception based on the actuarial valuation.

At each statement of financial position date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums. Any inadequacy would be immediately charged to the statement of comprehensive income by establishing a premium deficiency provision.

An amount (mathematical reserve) is determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten in case of the life subsidiary. A contingency reserve is also established in accordance with the Insurance Companies Law of Oman by both the insurance subsidiaries.

3 Significant accounting policies *(continued)*

3.2 Insurance contracts – classification *(continued)*

(f) Reinsurance contracts held

Contracts entered into by the subsidiaries with reinsurers under which the subsidiaries are compensated for losses on one or more contracts issued by the subsidiaries and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the subsidiaries under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the subsidiaries are entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of balances due from reinsurers (classified within Insurance receivables), as well as the reinsurance portion of gross claims outstanding including IBNR and unexpired risk reserve that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These are shown as assets in the statement of financial position until the claim is paid by the subsidiaries. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to Insurance receivable. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due, net of commission income which represents income earned from reinsurance companies.

The subsidiaries assess their reinsurance assets for impairment on a periodic basis. If there is objective evidence that the reinsurance asset is impaired, the subsidiaries reduce the carrying amount of the reinsurance asset to its recoverable amount and recognize that impairment loss in the statement of comprehensive income. The subsidiaries gather the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in note 3.12.

3.3 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, other receivables, due to reinsurers, cash and cash equivalents, and other liabilities. Cash and cash equivalents comprise cash and bank balances, net of bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's and the Parent company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available for sale

The Group investments in certain equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group management has the positive intent and ability to hold to maturity.

Held-to-maturity investments are initially recognized at cost and subsequently re-measured at amortized cost using the effective yield method less any provision for impairment.

Interest receivable from held-to-maturity investments is accounted for on the accruals basis.

3 Significant accounting policies *(continued)*

3.3 Financial instruments *(continued)*

Financial assets at fair value through statement of comprehensive income

An instrument is classified at fair value through statement of comprehensive income if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through statement of comprehensive income if the Group/ Parent company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in statement of comprehensive income when incurred. Financial instruments at fair value through statement of comprehensive income are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances net of bank overdrafts. Bank overdrafts that are repayable on demand form an integral part of the Group's/ Parent company's cash management are included as a component of cash and cash equivalent for the purposes of statement of cash flows.

Investments in subsidiaries

Investments in subsidiaries in the Parent company's financial statements are stated at cost.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3.4 Commission earned and paid

Commission earned and paid are recognized at the time policies are written.

3.5 Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

3.6 Interest income

Interest income is recognised on the accrual basis.

3.7 Dividend distribution

Dividend distribution by the Parent company is recognized as a liability in the Parent company's financial statements only in the period in which the dividends are approved by the Parent company's shareholders.

3.8 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is recognised in the statement of comprehensive income and is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes
(forming part of the consolidated financial statements)

3 Significant accounting policies *(continued)*

3.9 Insurance and other receivables

Insurance and other receivables are stated at their cost less impairment losses. A provision for impairment of receivables is established when there is objective evidence that the Group/Parent Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is recognised in the statement of comprehensive income within General and administration expenses.

3.10 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group/ Parent company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. Land and assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	6 years
Motor vehicles	5 years
Computer hardware and software	5 years
Building (including investment property)	6.66 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values, useful lives and depreciation methods for items of property, plant and equipment are reassessed at each reporting date.

3 Significant accounting policies *(continued)*

3.11 Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (see 3.10 (iii) above) at the statement of financial position date. The fair value, which reflects market conditions at the statement of financial position date, is disclosed in the notes to the financial statements.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.12 Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment is determined as follows:

a) for assets carried at fair value, impairment is the difference between cost and fair value;
b) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;and
c) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes
(forming part of the consolidated financial statements)

3 Significant accounting policies *(continued)*

3.13 Provisions

A provision is recognized if, as a result of a past event, there exists a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.14 Contingency reserve

In accordance with the Capital Market Authority Decision No.19/2007, issued on 4 June 2007 as authorised by Royal Decree No. 34/2007, 10% of the net outstanding claims at the statement of financial position date in case of general insurance business and 1% of the life assurance premiums in case of life insurance business for the year are transferred to a contingency reserve which is not distributable. The subsidiaries may discontinue such annual transfers when the reserve equals the respective company's paid up capital. The contingency reserve in the books of the Group's subsidiaries in accordance with the Omani Insurance Law are not distributable with out prior approval of the Capital Market Authority.

3.15 Other liabilities and accruals

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed.

3.16 Employee terminal benefits

End of service benefits are accrued in accordance with the terms of employment of employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003 as amended. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the statement of financial position date.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme, are recognised as an expense in the statement of comprehensive income as incurred.

3.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

3.18 Segmental information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Notes
(forming part of the consolidated financial statements)

3 Significant accounting policies *(continued)*

3.19 Foreign currency transactions

Items included in the financial statements of the Group and the Parent company are measured and presented in Rials Omani being the currency of the primary economic environment in which the Group and the Parent company operates.

Foreign currency transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the statement of financial position date. Differences on exchange are dealt with in the statement of comprehensive income as they arise.

3.20 New standards and interpretations not yet adopted and relevant for the Group's operations

A number of new relevant standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. On 12 November 2009 IFRS 9 'Financial Instruments' was published and the Group is in the process of evaluating the impact of the standard and has not early adopted. None of the other standards except IFRS 9 are expected to have an effect on the consolidated financial statements of the Group.

4 Critical accounting estimates, and judgments in applying accounting policies

The Parent company and Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following paragraphs.

4.1 The liability arising from claims made under insurance contracts

The purpose of insurance contracts entered into by the subsidiaries is to pay claims arising out of fortuitous events i.e. events that are unexpected such as illness or death. The general insurance subsidiary has a concentration in Motor policies issued and claims under such policies may include amounts for third party bodily injury. The Group believes that the liability arising out of such third party bodily injury claims as handed down by the various courts in Oman, does not reflect a consistent approach in legal verdicts. Nevertheless, even though these awards are relatively small, the subsidiary monitors the development of such compensation claims carefully year on year and makes adequate provision for these insurance liabilities. This has resulted in the statement of comprehensive income being stable. The life subsidiary has a concentration in policies under the Group Credit Life scheme issued. Estimates are made as to the expected number of deaths for each of the years in which the subsidiary is exposed to risk. The subsidiary's actuary bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the subsidiary's own experience. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the subsidiary has significant exposure to mortality risk. However continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the subsidiary is exposed to longevity risk. This has resulted in the statement of comprehensive income being stable.

Estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy. Adequacy of outstanding claims liability is also independently reviewed by an Actuary in case of the life subsidiary and any shortfall identified is recorded in the underwriting account.

Notes
(forming part of the consolidated financial statements)

4 Critical accounting estimates, and judgments in applying accounting policies *(continued)*

4.2 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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:

(i) Financial instruments

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

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 Group's financial assets and liabilities are not materially different from their carrying values as of the statement of financial position date.

(ii) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

5 Underwriting results

	2009 RO	2008 RO
Gross premiums written arising from insurance contracts issued	**12,127,046**	11,266,247
Movement in unearned premiums	**(1,368,425)**	(1,028,346)
Insurance premium revenue (a)	**10,758,621**	10,237,901
Premium revenue net of commission ceded to reinsurers on insurance contracts issued	**(7,637,131)**	(6,586,800)
Movement in unearned premiums	**1,012,862**	652,505
Insurance premium ceded to reinsurers (b)	**(6,624,269)**	(5,934,295)
Gross insurance claims and loss adjustment expenses *(note 6)*	**(3,319,967)**	(7,058,551)
Insurance claims and loss adjustment expenses recovered from reinsurers *(note 6)*	**2,647,430**	6,539,874
Net claims incurred (c)	**(672,537)**	(518,677)
Expenses for the acquisition of insurance contracts (d)	**(1,627,023)**	(1,969,252)
Underwriting result (a+b+c+d)	**1,834,792**	1,815,677

Analysis of net underwriting results

The general insurance and life assurance underwriting results before reinsurance recoveries are analyzed as follows:

	2009	**2009**	2008	2008
	Net Written premium RO	**Underwriting results before reinsurance recoveries RO**	Net written premium RO	Underwriting results before reinsurance recoveries RO
Motor	**747,571**	**(319,867)**	500,602	(145,150)
Non motor	**72,745**	**(433,006)**	67,781	(4,577,033)
Group life and Group credit	**745,045**	**(59,765)**	805,154	(2,014)
	1,565,361	**(812,638)**	1,373,537	(4,724,197)

6 Insurance claims and loss adjustment expenses

	2009			2008		
	Gross RO	**Reinsurers' share RO**	**Net RO**	Gross RO	Reinsurers' share RO	Net RO
Claims incurred *(note 23)*	**4,853,145**	**(4,435,922)**	**417,223**	12,204,391	(11,719,376)	485,015
IBNR *(note 23)*	**240,000**	**(171,325)**	**68,675**	240,000	(171,325)	68,675
Outstanding at end of year (a)	**5,093,145**	**(4,607,247)**	**485,898**	12,444,391	(11,890,701)	553,690
Add:						
Insurance claims paid in the year (b)	**10,671,213**	**(9,930,884)**	**740,329**	2,927,201	(2,466,132)	461,069
Less:						
Claims incurred *(note 23)*	**12,204,391**	**(11,719,376)**	**485,015**	8,073,041	(7,645,634)	427,407
IBNR *(note 23)*	**240,000**	**(171,325)**	**68,675**	240,000	(171,325)	68,675
Outstanding at the beginning of the year (c)	**12,444,391**	**(11,890,701)**	**553,690**	8,313,041	(7,816,959)	496,082
Claims recorded in statement of comprehensive income (a+b-c) *(note 5)*	**3,319,967**	**(2,647,430)**	**672,537**	7,058,551	(6,539,874)	518,677

Substantially all of the claims are expected to be paid within twelve months of the statement of financial position date. The amounts due from reinsurers are contractually due within three months from the date of submission of accounts to the reinsurer.

The subsidiaries estimate their insurance liabilities and reinsurance assets principally based on previous experience. These estimates relating to life business outstanding claims, are also reviewed by an independent Actuary. Claims requiring court or arbitration decisions are estimated individually.

7 Investment income (loss) - net

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Net unrealised gains (loss) on investments carried at fair value through statement of comprehensive income	**1,678,981**	**1,330,285**	(3,035,268)	(1,492,765)
Unrealised gain (loss) on held for trading investments	**247,675**	**144,746**	(340,839)	(212,531)
Interest income on Government Development Bonds	**25,488**	**-**	10,545	-
Interest income on Bank Muscat Subordinated Bonds (net of amortisation cost)	**193,999**	**-**	-	-
Interest income on bank deposits	**66,031**	**93**	158,977	2,771
Dividend income	**552,423**	**434,411**	405,357	212,242
Realised (loss) gains on disposal of investment securities	**(78,903)**	**(37,703)**	13,265	12,901
Investment transaction cost	**-**	**-**	(1,730)	(865)
Rental income on investment property	**73,436**	**-**	74,653	-
Dividend from subsidiary companies	**-**	**-**	-	748,180
	2,759,130	**1,871,832**	(2,715,040)	(730,067)

8 Expenses for the year

The profit (loss) for the year is stated after charging:

General and administration expenses

Staff salaries and expenses	**960,653**	**223,471**	981,700	241,494
Office expenses	**123,250**	**29,383**	123,157	27,450
Communication and traveling expenses	**73,724**	**9,835**	77,780	8,305
Depreciation *(note 21&22)*	**80,731**	**4,404**	78,352	3,739
Provision for impairment of debts written back	**(11,670)**	**-**	-	-
Building maintenance expenses	**17,022**	**-**	7,382	-
	1,243,710	**267,093**	1,268,371	280,988

Finance costs

Bank interest and charges - investment operations	**83,929**	**82,066**	26,728	24,097
Interest on treaty reserves	**26,204**	**-**	49,216	-
	110,133	**82,066**	75,944	24,097

Other operating expenses

Professional fees	**35,789**	**4,000**	43,022	6,945
Advertising and recruitment expenses	**35,335**	**17,335**	27,255	2,651
MSM and annual general meeting expenses	**20,958**	**12,808**	33,538	18,790
Profit on sale of property, plant and equipment	**-**	**-**	(4,325)	-
	92,082	**34,143**	99,490	28,386

9 Taxation

(a) The taxation charges (credit) for the year comprise:

Statement of comprehensive income:	Group 2009 RO	Parent company 2009 RO	Group 2008 RO	Parent company 2008 RO
Current tax	**128,025**	**-**	105,464	-
Prior year	**3,483**	**-**	-	-
Deferred taxation	**1,781**	**-**	840	-
	133,289	**-**	106,304	-

The current tax liability is as follows:

Current liability				
Current tax	**128,025**	**-**	105,464	-
Current tax - Prior years	**34,421**	**-**	31,438	-
Deferred taxation	**238**	**-**	323	-
	162,684	**-**	137,225	-

(b) The Parent company and each of its subsidiaries are assessed separately for taxation. The Group is not treated as a taxable entity.

(i) The Parent company

The tax rate applicable to the Parent company is 12% (2008: 12%). For the purpose of determining the taxable result for the year, the accounting profit (loss) has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on a current understanding of the existing tax laws, regulations and practices.

The adjustments to accounting profit (loss) for the year have resulted in a taxable loss. No deferred tax is recognised in respect of these losses, as the Parent company does not have taxable income resulting in uncertainty in their utilisation. Therefore, the applicable tax rate is nil (2008: nil).

The losses available for offset against future taxable profits are as follows:

	2009 RO	2008 RO
Available upto 31 December 2009 (assessed)	**133,785**	112,872
Available upto 31 December 2010 (assessed)	**133,202**	133,785
Available upto 31 December 2011 (declared)	**267,997**	133,202
Available upto 31 December 2012 (declared)	**333,380**	267,997
Available upto 31 December 2013 (estimated)	**385,067**	333,380
	1,253,431	981,326

The Parent company's tax assessments have been completed by the Omani tax authorities up to tax year 2006.

9 Taxation *(continued)*

(ii) Subsidiaries

Muscat Insurance Company SAOC

The company is registered in Oman and the tax rate applicable is 12% (2008: 12%). The company's tax assessments have been issued by the tax authorities from tax year 1999 to 2002. The Company's objections filed through Primary Court, Appeal Court and Supreme Court were rejected. The Company has made proper adjustments in the provisions to incorporate the additional tax implications for the assessment years 1999 to 2002.

Assessments from tax year 2003 to 2007 have also now been received. The Company has, however, filed an objection to a computation error in the assessments for 2003 to 2007. The Company has made proper adjustments in the provisions to incorporate the additional tax implications arising from the assessments for 2003 to 2007.

Muscat Life Assurance Company SAOC

The company is registered in Oman and the tax rate applicable is 12% (2008: 12%). The company's tax assessments have been issued by the tax authorities from tax year 1999 to 2002. The Company's objections filed through Primary Court, Appeal Court and Supreme Court were rejected. The Company has made proper adjustments in the provisions to incorporate the additional tax implications for the assessment years 1999 to 2002.

Assessments from tax year 2003 to 2007 have also now been received. The Company has, however, filed an objection to a computation error in the assessments for 2003 to 2007. The Company has made proper adjustments in the provisions to incorporate the additional tax implications arising from the assessments for 2003 to 2007.

(iii) Deferred taxation asset (liability)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2008: 12%). Net deferred tax assets/(liabilities) in the statement of financial position and deferred tax (charge) credit in the statement of comprehensive income are as follows:

Muscat Life Assurance Company SAOC

2009	31 December 2008 RO	**(Charged)/ credited to statement of comprehensive income RO**	**31 December 2009 RO**
Deferred income tax liability			
Accelerated tax depreciation	(563)	**85**	**(478)**
Deferred income tax asset			
Provisions for doubtful debts	240	**-**	**240**
Net deferred tax liability	(323)	**85**	**(238)**

2008	31 December 2007 RO	(Charged)/ credited to statement of comprehensive income RO	31 December 2008 RO
Deferred income tax liability			
Accelerated tax depreciation	(803)	240	(563)
Deferred income tax asset			
Provisions for doubtful debts	240	-	240
Net deferred tax liability	(563)	240	(323)

9 Taxation *(continued)*

(iii) Deferred taxation asset (liability) *(continued)*

Muscat Insurance Company SAOC

2009	**31 December 2008 RO**	**Charged to statement of comprehensive income RO**	**31 December 2009 RO**
Deferred income tax liability			
Accelerated tax depreciation	**(2,679)**	**(466)**	**(3,145)**
Deferred income tax asset			
Provisions for doubtful debts	**9,012**	**(1,400)**	**7,612**
Net deferred tax asset	**6,333**	**(1,866)**	**4,467**

2008	31 December 2007 RO	Charged to statement of comprehensive income RO	31 December 2008 RO
Deferred income tax liability			
Accelerated tax depreciation	(1,599)	(1,080)	(2,679)
Deferred income tax asset			
Provisions for doubtful debts	9,012	-	9,012
Net deferred tax asset	7,413	(1,080)	6,333

10 Earnings per share and net assets per share

Basic earnings per share is calculated by dividing the net profit or loss for the year by the weighted average number of shares outstanding during the year. Net assets per share is calculated by dividing the net assets at the year by the weighted average number of shares outstanding during the year.

	2009 Group RO	**2009 Parent company RO**	2008 Group RO	2008 Parent company RO
Net asset at year end	**13,010,354**	**6,961,052**	9,977,789	5,472,522
Profit (loss) for the year	**3,014,708**	**1,488,530**	(2,449,472)	(1,063,538)
Weighted average number of shares	**5,000,000**	**5,000,000**	5,000,000	5,000,000
Earnings per share	**0.603**	**0.298**	(0.490)	(0.213)
Net asset per share	**2.602**	**1.392**	1.996	1.095

No figure for diluted earnings per share has been presented, as the Parent company and the Group have not issued any instruments which would have an impact on earnings per share when exercised.

11 Cash and cash equivalents

Included in the Group's cash and cash equivalents are call deposits of RO 699,652 (2008: RO 561,034) with a commercial bank in Oman. These are denominated in Rial Omani, and having maturities of one to three months from the date of placement and carry an effective interest rate of 0.25 % (2008: 0.50 %).

12 Bank deposits

Bank deposits are held with commercial banks in Oman, and carry annual interest rates ranging between 0.50% to 1.00% (2008: 0.70% to 2%). Bank deposits have maturity ranging from less than six to twelve months from the date of placement. As at 31 December 2009, the subsidiary companies have no bank deposits denominated in US Dollars (2008: RO 1,860,985). Transfer of certain bank deposits in RO is restricted *(note 17).*

13 Held for trading investments

Group	**Market value and fair value 2009 RO**	**Cost 2009 RO**	Market value and fair value 2008 RO	Cost 2008 RO
Marketable securities - foreign by sector				
Technology/Media/Telecom	**184,138**	**500,524**	138,845	498,485
Industrial	**59,707**	**101,794**	74,462	175,988
Healthcare/Pharmaceuticals	**142,201**	**86,897**	127,497	142,656
Oil/Energy	**173,511**	**82,339**	121,075	71,566
Services	**26,053**	**70,665**	23,118	79,971
Agriculture/Food	**36,056**	**16,721**	22,879	16,721
	621,666	**858,940**	507,876	985,387

Parent company

Marketable securities - foreign by sector				
Technology/Media/Telecom	**67,413**	**255,914**	44,697	255,914
Industrial	**35,613**	**22,689**	21,173	22,689
Healthcare/Pharmaceuticals	**9,140**	**38,356**	20,106	95,273
Oil/ Energy	**129,953**	**54,551**	89,746	47,855
Services	**25,840**	**63,817**	22,978	73,124
Agriculture/Food	**31,651**	**12,797**	20,510	12,797
	299,610	**448,124**	219,210	507,652

Held for trading securities of the Parent company amounting to RO 299,610 (2008: RO 219,210) are held by a subsidiary company in trust on behalf of the Parent company.

14 Available for sale investments

Group

Services	**139,286**	**121,429**	121,429	121,429

15 Premium and insurance receivable

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Premium receivable	**358,583**	**-**	481,045	-
Reinsurance balances receivable	**155,618**	**-**	202,412	-
Less: provision for doubtful debts	**(65,431)**	**-**	(77,101)	-
	448,770	**-**	606,356	-
Premiums receivable from related parties *(note 32)*	**247,638**	**-**	278,348	-
Accrued premiums receivable from a related party *(note 32)*	**132,302**	**-**	151,375	-
	828,710	**-**	1,036,079	-

15 Premium and insurance balances receivable *(continued)*

Ageing of the Group's receivables (net of provisions) at the reporting date was as below:

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Not past due	**773,329**	**-**	897,372	-
Past due 0 to 30 days	**7,292**	**-**	13,924	-
Past due 31to 210 days	**48,089**	**-**	124,783	-
	828,710	**-**	1,036,079	-

Movements in the provision for doubtful debts during the year is as follows:

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
At 1 January	**77,101**	**-**	77,101	**-**
Written back during the year	**(11,670)**	**-**	-	**-**
At 31 December	**65,431**	**-**	77,101	**-**

16 Investments carried at fair value through statement of comprehensive income

Group	**Market value and fair value 2009 RO**	**Cost 2009 RO**	Market value and fair value 2008 RO	Cost 2008 RO
Marketable securities				
Banking/Finance	**5,624,472**	**2,995,021**	4,188,860	2,995,021
Services	**1,003,974**	**423,460**	826,543	427,927
Industrial	**158,945**	**66,368**	68,935	66,368
Oil and energy	**73,377**	**58,057**	92,700	58,057
Consumer goods	**80,784**	**48,340**	90,000	48,340
Agriculture/Food	**38,875**	**62,500**	38,875	62,500
	6,980,427	**3,653,746**	5,305,913	3,658,213

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

	% of overall Portfolio	**Number of securities**	**Market value RO**	**Cost RO**
31 December 2009				
Oman International Bank SAOG	**73.99**	**19,253,470**	**5,624,472**	**2,995,021**
31 December 2008				
Oman International Bank SAOG	72.05	19,253,470	4,188,860	2,995,021

16 Investments carried at fair value through statement of comprehensive income *(continued)*

Details of the Group's investments for which the Group's holding exceeds 10% or more of the issuer's share capital are:

	% holding of the issuer's share capital	Number of securities	Market value RO	Cost RO
31 December 2009				
Al Khuwair Development & Services SAOC	**12.4**	**155,000**	**759,500**	**300,792**
31 December 2008				
Al Khuwair Development & Services SAOC	12.4	155,000	620,000	300,792

Parent company	**Market Value 2009 RO**	**Cost 2009 RO**	Market Value 2008 RO	Cost 2008 RO
Marketable securities				
Banking/Finance	**4,549,697**	**2,669,968**	3,392,729	2,669,968
Services	**815,159**	**319,934**	664,000	319,934
Consumer goods	**67,320**	**40,290**	75,000	40,290
Industrial	**66,890**	**17,339**	28,540	17,339
Oil and energy	**36,608**	**42,718**	45,120	42,718
	5,535,674	**3,090,249**	4,205,389	3,090,249

Details of the Parent company's investment in which its holdings exceed 10% of the market value of its equity investment portfolio are set out below:

	% of overall Portfolio	Number of securities	Market value RO	Cost RO
31 December 2009				
Oman International Bank SAOG	**77.97**	**15,634,696**	**4,549,697**	**2,669,968**
Al Khuwair Development & Services Company SAOC	**13.02**	**155,000**	**759,500**	**300,792**
			5,309,197	**2,970,760**
31 December 2008				
Oman International Bank SAOG	76.68	15,634,696	3,392,729	2,669,968
Al Khuwair Development & Services Company SAOC	14.01	155,000	620,000	300,792
			4,012,729	2,970,760

Details of the Parent company's investments for which the Parent company's holding exceeds 10% or more of the issuer's share capital at 31 December 2009 are:

	% holding of the issuer's share capital	Number of securities	Market value RO	Cost RO
31 December 2009				
Al Khuwair Development & Services SAOC	**12.4**	**155,000**	**759,500**	**300,792**
31 December 2008				
Al Khuwair Development & Services SAOC	12.4	155,000	620,000	300,792

17 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Group's subsidiaries have identified to the Capital Market Authority certain specific bank deposits, investments carried at fair value through statement of comprehensive income and investments held to maturity included in the statement of financial position at their carrying amount of RO 3,688,103 (2008: RO 2,715,512). Under the terms of the legislation, the subsidiaries can transfer these assets only with the prior approval of the Capital Market Authority.

18 Investments held to maturity

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Bank Muscat Subordinated bonds (net of amortisation cost)	**3,968,517**	**-**	-	**-**
Government development bonds	**637,200**	**-**	637,200	**-**
	4,605,717	**-**	637,200	**-**

The Government Development Bonds carry an interest rate of 4.0% per annum and are due to mature in 2013 (2008: 4.0%). The Bank Muscat SAOG Subordinated Bonds carry an interest rate of 8.0% per annum and are due to mature in 2016 (2008: nil).

19 Investment in subsidiary companies

The consolidated financial statements include the financial statements of the Parent company and its following subsidiaries registered in the Sultanate of Oman:

	Proportion held 2009	Proportion held 2008	**Authorised capital**	**Paid up share capital 2009 RO**	Paid up share capital 2008 RO	**Cost 2009 RO**
Muscat Insurance Company SAOC	**99.99%**	99.99%	**5,000,000**	**3,598,218**	3,598,218	**2,000,000**
Muscat Life Assurance Company SAOC	**99.99%**	99.99%	**5,000,000**	**3,502,775**	3,502,775	**2,000,000**

Muscat Insurance Company SAOC

Muscat Insurance Company SAOC is a closely held joint stock company incorporated in the Sultanate of Oman and is engaged in the business of general insurance.

Muscat Life Assurance Company SAOC

Muscat Life Assurance Company SAOC is a closely held joint stock company incorporated in the Sultanate of Oman and is engaged in the business of life and medical insurance.

20 Other receivables and prepayments

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Accrued interest	**54,673**	**-**	21,904	-
Prepayments	**55,565**	**13,171**	49,479	3,209
	110,238	**13,171**	71,383	3,209

21 Property, plant and equipment

Group - 2009	**Furniture and equipment RO**	**Motor vehicles RO**	**Computer hardware and software RO**	**Land RO**	**Buildings RO**	**Total RO**
Cost						
At 1 January 2009	**193,503**	**122,353**	**153,353**	**860,072**	**125,000**	**1,454,281**
Additions during the year	**10,325**	**3,795**	**5,936**	**-**	**-**	**20,056**
At 31 December 2009	**203,828**	**126,148**	**159,289**	**860,072**	**125,000**	**1,474,337**
Depreciation						
At 1 January 2009	**126,896**	**49,020**	**121,533**	**-**	**43,750**	**341,199**
Provided during the year	**18,146**	**22,760**	**9,825**		**18,750**	**69,481**
At 31 December 2009	**145,042**	**71,780**	**131,358**	**-**	**62,500**	**410,680**
Net carrying value						
At 31 December 2009	**58,786**	**54,368**	**27,931**	**860,072**	**62,500**	**1,063,657**

Group - 2008	Furniture and equipment RO	Motor vehicles RO	Computer hardware and software RO	Land RO	Buildings RO	Total RO
Cost						
At 1 January 2008	158,063	111,003	131,545	860,072	125,000	1,385,683
Additions during the year	36,085	33,475	21,808	-	-	91,368
Disposals during the year	(645)	(22,125)	-	-	-	(22,770)
At 31 December 2008	193,503	122,353	153,353	860,072	125,000	1,454,281
Depreciation						
At 1 January 2008	109,416	49,751	112,124	-	25,000	296,291
Provided during the year	17,549	21,394	9,409	-	18,750	67,102
Relating to disposals	(69)	(22,125)	-	-	-	(22,194)
At 31 December 2008	126,896	49,020	121,533	-	43,750	341,199
Net carrying value						
At 31 December 2008	66,607	73,333	31,820	860,072	81,250	1,113,082

21 Property, plant and equipment *(continued)*

Parent company – 2009	**Furniture and equipment RO**	**Motor vehicles RO**	**Computer hardware and software RO**	**Total RO**
Cost				
At 1 January 2009	**27,123**	**20,834**	**6,046**	**54,003**
Additions during the year	**944**	**-**	**1,217**	**2,161**
At 31 December 2009	**28,067**	**20,834**	**7,263**	**56,164**
Depreciation				
At 1 January 2009	**20,682**	**11,298**	**5,077**	**37,057**
Provided during the year	**1,558**	**2,488**	**358**	**4,404**
At 31 December 2009	**22,240**	**13,786**	**5,435**	**41,461**
Net carrying value				
At 31 December 2009	**5,827**	**7,048**	**1,828**	**14,703**
Parent company – 2008				
Cost				
At 1 January 2008	22,914	20,834	5,078	48,826
Additions during the year	4,209	-	968	5,177
At 31 December 2008	27,123	20,834	6,046	54,003
Depreciation				
At 1 January 2008	19,621	8,803	4,894	33,318
Provided during the year	1,061	2,495	183	3,739
At 31 December 2008	20,682	11,298	5,077	37,057
Net carrying value				
At 31 December 2008	6,441	9,536	969	16,946

22 Investment property
Group

	Land RO	**Building RO**	**Total RO**
Cost:			
1 January 2009	**485,000**	**75,000**	**560,000**
31 December 2009	**485,000**	**75,000**	**560,000**
Depreciation			
1 January 2009	**-**	**26,250**	**26,250**
Charge for the year	**-**	**11,250**	**11,250**
31 December 2009	**-**	**37,500**	**37,500**
Net carrying value			
31 December 2009	**485,000**	**37,500**	**522,500**
31 December 2008	485,000	48,750	533,750

22 Investment property *(continued)*

The investment property is stated at cost less accumulated depreciation.

The Group has estimated the fair value of the land and building, including the investment property, at 31 December 2009 as being in the amount of RO 4,775,000 (2008: RO 4,775,000) compared to the original cost of RO 1,545,072 (2008: RO 1,545,072), based upon an independent external market valuation as at 31 December 2008.The share of the investment property in the fair value is RO 1,726,000. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

23 Insurance liabilities and reinsurance assets

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Gross				
Insurance contracts:				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**4,853,145**	**-**	12,204,391	**-**
- Claims incurred but not reported (IBNR) *(note 6)*	**240,000**	**-**	240,000	**-**
- Actuarial Unexpired Risk Reserve (URR)	**9,380,717**	-	8,012,292	-
Total insurance liabilities - Gross	**14,473,862**	-	20,456,683	-
Recoverable from reinsurers				
Insurance contracts				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**4,435,922**	-	11,719,376	-
- Claims incurred but not reported (IBNR)*(note 6)*	**171,325**	-	171,325	-
- Actuarial Unexpired Risk Reserve (URR)	**7,392,085**	-	6,379,223	-
Total reinsurers' share of insurance liabilities	**11,999,332**	-	18,269,924	-
Net				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**417,223**	-	485,015	-
- Claims incurred but not reported (IBNR) *(note 6)*	**68,675**	-	68,675	-
- Actuarial Unexpired Risk Reserve (URR)	**1,988,632**	-	1,633,069	-
Total insurance liabilities – net	**2,474,530**	-	2,186,759	-

In accordance with the Insurance Companies Law of Oman, the net actuarial/unexpired risk reserve (mathematical reserve) of the life subsidiary is determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten.

24 Contingency reserve

	2009 RO	2008 RO
At 1 January	**666,501**	571,090
Transfer during the year	**85,344**	95,411
At 31 December	**751,845**	666,501

25 Other liabilities and accruals

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Other creditors	**435,796**	**-**	271,479	-
Due to subsidiaries	**-**	**1,132,283**	-	1,123,647
Accruals	**677,625**	**27,012**	798,865	24,719
Amount due to related parties *(note 32)*	**74,388**	**2,878**	139,357	1,126
End of service benefits	**128,810**	**69,566**	106,502	58,376
	1,316,619	**1,231,739**	1,316,203	1,207,868

Movements in the liability for employees' end of service benefits recognised in the statement of financial position are as follows:

At 1 January	**106,502**	**58,376**	101,074	36,445
Accrued/transferred during the year	**29,100**	**11,330**	45,236	21,931
Employees' end of service benefit paid/transferred	**(6,792)**	**(140)**	(39,808)	-
At 31 December	**128,810**	**69,566**	106,502	58,376

26 Bank overdrafts and term loan

Long term loan	**433,947**	**433,947**	864,947	864,947
Bank overdrafts	**1,316,222**	**1,316,222**	954,547	954,547
	1,750,169	**1,750,169**	1,819,494	1,819,494

(i) Bank overdrafts are obtained from a commercial bank at interest rate of 2.25% (2008: 1.75% to 3.5%) per annum. The interest rates are subject to re-negotiation with the bank upon annual renewal of the facilities.

(ii) Term loan carries an interest rate of 7.5% per annum payable quarterly from the year 2009. The principal is repayable over a period of 7 years by quarterly installments starting from the year 2010. During the year 2009, the parent Company has prepaid RO 431,000 off the term loan.

27 Share capital

(a) Share capital

	2009 RO	2008 RO
Authorised –ordinary shares of RO 1 each	**5,000,000**	5,000,000
Issued and fully paid – ordinary shares of RO 1 each	**5,000,000**	5,000,000

Details of shareholders who hold 10% or more of the Parent company's shares are as follows:

	2009 Number of shares	2008 Number of shares
Dr Omar Abdul Muniem Al Zawawi	**1,398,400**	1,398,400
Suleiman Al Houqani	**748,230**	747,465
Dhofar Insurance Co. SAOG	**505,598**	505,598

27 Share capital *(Continued)*

(b) Proposed dividend

The Board of Directors have proposed a cash dividend in respect of the year 2009 of RO 0.100 per share (2008 - nil) amounting to RO 500,000 (2008: nil) which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

(c) Unclaimed dividend

During the year, there were no unclaimed dividends (2008: RO 4,544) deposited with the Investor's Trust Fund of the Capital Market Authority.

28 Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year of the individual companies is required to be transferred to legal reserve until the reserve is equal to one third of the paid up share capital of each company. This reserve is not available for distribution. (2008: There was no such transfer to reserve, as the result is a net loss after tax).

29 Capital reserve

The capital reserve represents the excess over nominal value paid by the initial subscribers towards public issue expenses incurred by the Parent company.

30 Contingent liabilities

At 31 December 2009 there were contingent liabilities in respect of guarantees amounting to RO 141,472 (2008: RO 117,252) given in the normal course of business from which it is anticipated that no material liabilities will arise.

31 Capital commitment

A subsidiary company, Muscat Life Assurance Company, has committed to contribute 1% (on issue) of the authorised share capital of RO 30 million of the proposed Omani Reinsurance Company SAOC as an investment. As at 31 December 2009, the subsidiary company has paid RO 50,000 representing 1% of the initial paid up capital in the amount of RO 5 million. As and when additional capital is issued, the Company will be required to contribute 1% of the increase as share capital.

32 Related party transactions

The Group, during the course of its normal business, enters into transactions with directors, shareholders, key management personnel and entities in which certain shareholders and directors are interested (other related parties). The transactions are entered into at terms and conditions which the directors consider to be comparable with those adopted for arm's length transactions with third parties. The approximate volumes of such transactions involving related parties and holders of 10% or more of the Parent company's shares or their family members, during the year were as follows:

32 Related party transactions *(continued)*

(a) Transactions

(i) Key Management compensation (*)

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Short term employment benefits	**347,831**	**186,099**	364,659	185,194
End of service benefits	**17,991**	**10,580**	27,555	21,405
	365,822	**196,679**	392,214	206,599

(*) Paid by the Group / Parent company to their respective key Management personnel.

(ii) Revenue from insurance policies underwritten

Other related parties	**3,807,252**	-	5,365,087	-

(iii) Claims incurred in respect of insurance policies underwritten

Other related parties	**135,133**	**-**	165,221	**-**

(iv) Purchases of goods and services

Purchases of goods and services				
- Other related parties	**125,368**	**18,158**	85,011	6,675
Purchase of property, plant and equipment				
- Other related parties	**2,044**	**320**	4,541	968

(v) Investment income/(expenses) from other related parties

Interest income	**60,251**	**7**	151,097	1,096
Dividend income	**519,844**	**422,137**	367,566	198,404
Interest expenses	**(83,929)**	**(82,066)**	(26,728)	(24,097)
Rental income	**68,268**	**-**	66,785	-

32 Related party transactions *(continued)*

(b) Year end balances arising from premiums written/claims payable/purchases of goods/services were:

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Receivable from other related parties *(note 15)*	**379,940**	-	429,723	-
Payable to related parties				
- Subsidiaries *(note 25)*	**-**	**1,132,283**	-	1,123,647
- Other related parties *(note 25)*	**74,388**	**2,878**	139,357	1,126

No provision has been required in 2009 and 2008 in respect of amounts due from related entities.

(c) At 31 December, the Group and Parent company had the following assets and liabilities balances with the other related parties:

	Group 2009 RO	**Parent company 2009 RO**	Group 2008 RO	Parent company 2008 RO
Investments carried at fair value through statement of comprehensive income	**6,424,483**	**5,309,197**	4,850,429	4,012,729
Bank deposits	**5,057,153**	**-**	8,485,298	-
Cash and cash equivalents	**699,361**	**3,498**	560,930	2,492
Bank borrowings	**1,750,169**	**1,750,169**	1,819,494	1,819,494

(d) Transaction with subsidiaries

The Parent company entered into the following transaction with subsidiaries:

	2009 RO	2008 RO
Dividend received	**-**	748,180
Services rendered	**59,056**	48,241
Purchase of shares	**-**	864,947
Purchases of goods and services	**40,584**	43,536

33 Segment information

Class of business

The Group makes investments in equities and fixed interest earning securities. The Parent company is involved in the business of investments. The subsidiary companies are involved in the business of insurance. Relevant information relating to the primary segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the financial statements.

Group

31 December 2009	**General insurance RO**	**Life insurance RO**	**General investment RO**	**Group RO**
Gross premiums written	**7,180,475**	**4,946,571**	**-**	**12,127,046**
Segment assets	**14,800,910**	**12,192,118**	**5,942,960**	**32,935,988**
Segment liabilities	**10,626,147**	**7,449,862**	**1,849,625**	**19,925,634**
Capital expenditure	**11,637**	**6,258**	**2,161**	**20,056**
Depreciation	**68,335**	**7,992**	**4,404**	**80,731**
31 December 2008				
Gross premiums written	5,873,111	5,393,136	-	11,266,247
Segment assets	21,575,288	10,816,558	4,499,884	36,891,730
Segment liabilities	17,975,504	7,034,722	1,903,715	26,913,941
Capital expenditure	68,363	17,828	5,177	91,368
Depreciation	67,067	7,546	3,739	78,352

34 Financial and insurance risk management

34.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The Group's objectives in managing risks are: to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are checked by Internal audits. The Group ensures that risks are mitigated with first class reinsurance security, pre-underwriting surveys and claims history reviews. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 3.

The Group only accepts insurance risk within the Sultanate of Oman. The Group's net account in terms of aggregate risk retention is well protected with substantial event limits plus catastrophe excess of loss reinsurance per class of business written.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors.

34 Financial and insurance risk management *(continued)*

34.1 Insurance risk *(continued)*

General insurance

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially all of the motor contracts relate to private individuals. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Fire and Accident and Property

The fire and accident and property insurance contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Marine

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Life insurance

The subsidiary underwrites mainly under the Group Credit Life, Group life and Group medical risks. Claims are normally advised and settled within one year of the insured event-taking place. This helps to mitigate insurance risk.

Group life and Group medical

These contracts are underwritten by reference to the sum assured of the individuals belonging to an affinity Group insured.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangement 'provide' for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit risk exposure in this connection is:

- The five largest reinsurers' account for 45% of the credit exposure at 31 December 2009 in case of the general insurance subsidiary (2008: 45%).

- The life insurance subsidiary is exposed to material concentration of reinsurance risk in respect of the Group Credit Life scheme. The credit risk in this connection is that one reinsurer accounts for 89% of the credit exposure at 31 December 2009 (2008: 93%).

34 Financial and insurance risk management *(continued)*

34.1 Insurance risk *(continued)*

Regulatory framework

The operations of the Group are subject to local regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Group has a surplus over the required solvency margin as per the Insurance Company Law:
- in case of the general insurance subsidiary a surplus of RO 2,734,869 at 31 December 2009 (2008: RO 2,398,691).
- in case of life insurance subsidiary a surplus of RO 4,154,687 at 31 December 2009 (2008: RO 3,224,124).

Financial risk factors

The Group's and Parent company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed investments, cash and cash equivalents. The Group and Parent company do not enter into derivative transactions. The main risks arising from financial instruments are:

- Credit risk
- Liquidity risk.
- Market price risk
    - Foreign currency risk
    - Interest rate risk
    - Pricing risk

The Group and Parent company review and agree policies for managing each of these risks and they are summarised below.

34.2 Financial risk management

A Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause a financial loss. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	2009		2008	
	Group RO	**Parent company RO**	Group RO	Parent company RO
Premium and insurance receivable	**828,710**	**-**	1,036,079	-
Other receivable and prepayment	**110,238**	**13,171**	71,383	3,209
	938,948	**13,171**	1,107,462	3,209

Ageing of the insurance receivables at the reporting date and movement of the provision of doubtful debts during the year is disclosed in note 15 to the financial statements.

Premium and insurance receivable

Premium and insurance receivable comprise a number of customers within Oman and local and foreign reinsurers. The Group monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Group for over 5 years and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts. With respect to reinsurers, as per Group's policy of managing insurance risks, such contracts are placed only with internationally reputed well rated reinsurers.

34 Financial and insurance risk management *(continued)*

34.2 Financial risk management *(continued)*

A Credit risk *(continued)*

Other receivable and prepayments

These are advance payments to parties for services to be availed over the short term and, accordingly, Management does not consider there to be significant credit risk associated with them.

The maximum credit exposure to credit risk for receivables at the reporting date by geographic region was as below:

	2009		2008	
	Group RO	**Parent company RO**	Group RO	Parent company RO
Oman	**807,455**	**13,171**	963,153	3,209
Europe	**80,187**	**-**	137,412	-
Middle East	**33,558**	-	6,188	-
America	**-**	-	37	-
Rest Asia	**17,748**	-	672	-
	938,948	**13,171**	1,107,462	3,209

The maximum credit exposure to credit risk at the reporting date by type was as below:

	2009 Group RO	**2009 Parent company RO**	2008 Group RO	2008 Parent company RO
Corporate clients	**761,113**	**5,978**	890,309	1,838
Individuals	**41,338**	**7,193**	39,211	1,371
Reinsurers	**136,497**	-	177,942	-
	938,948	**13,171**	1,107,462	3,209

(a) A subsidiary company's (Muscat Insurance Company), most significant customer, a reputed domestic insured, accounts for RO 95,724 of the receivable carrying amount at 31 December 2009 (2008: RO 112,485, a reputed reinsurer).

(b) A subsidiary company's (Muscat Life Assurance Company), most significant customer, a domestic bank, accounts for RO 150,767 of the receivable carrying amount at 31 December 2009 (2008: RO 34,492).

B Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and management ensures that sufficient funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting investments:

31 December 2009

	Carrying amount		**6 month or less**		**6 to 12 months**	
	Group RO	**Parent company RO**	**Group RO**	**Parent company RO**	**Group RO**	**Parent company RO**
Reserve withheld from reinsurers	**1,504,573**	**-**	**766,730**	**-**	**737,843**	**-**
Due to reinsurer	**717,727**	**-**	**717,727**	**-**	**-**	**-**
Other payables	**1,316,619**	**1,231,739**	**1,316,619**	**1,231,739**	**-**	**-**
Bank overdraft	**1,316,222**	**1,316,222**	**1,316,222**	**1,316,222**	**-**	
Long term loan	**433,947**	**433,947**	**-**	**-**	**433,947**	**433,947**
	5,289,088	**2,981,908**	**4,117,298**	**2,547,961**	**1,171,790**	**433,947**

34 Financial and insurance risk management *(continued)*

34.2 Financial risk management *(continued)*

B Liquidity risk *(continued)*

31 December 2008

	Carrying amount		6 month or less		6-12 month	
	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent company RO
Reserve withheld from reinsurer	2,508,881	-	1,774,817	-	734,064	-
Due to reinsurer	675,455	-	675,455	-	-	-
Other payables	1,316,203	1,207,868	1,316,203	1,207,868	-	-
Bank overdraft	954,547	954,547	954,547	954,547	-	
Long term loan	864,947	864,947	-	-	864,947	864,947
	6,320,033	3,027,362	4,721,022	2,162,415	1,599,011	864,947

The maturity profile of the Company's investments are as follows:

31 December 2009

	Less than one year		**Over five year**		**Total**	
	Group RO	**Parent company RO**	**Group RO**	**Parent company RO**	**Group RO**	**Parent company RO**
Bank deposits	**5,207,153**	**-**	**-**	**-**	**5,207,153**	**-**
Quoted investments	**6,774,168**	**5,064,284**	**-**	**-**	**6,774,168**	**5,064,284**
Investments held to maturity	**-**	**-**	**4,605,717**	**-**	**4,605,717**	**-**
Unquoted investment	**967,211**	**771,000**	**-**	**-**	**967,211**	**771,000**
	12,948,532	**5,835,284**	**4,605,717**	**-**	**17,554,249**	**5,835,284**

31 December 2008

	Less than one year		Over five year		Total	
	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent company RO
Bank deposits	8,635,298	-	-	-	8,635,298	-
Quoted investments	5,127,664	3,795,399	-	-	5,127,664	3,795,399
Investments held to maturity	-	-	637,200	-	637,200	-
Unquoted investments	807,554	629,200	-	-	807,554	629,200
	14,570,516	4,424,599	637,200	-	15,207,716	4,424,599

Given the total value of the assets to total liabilities, together with the high credit rating of the Group's reinsurers, Management does not believe there is significant liquidity risk as at 31 December 2009.

C Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or the value of holdings of financial instruments. These changes could be factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

34 Financial and insurance risk management *(continued)*

34.2 Financial risk management *(continued)*

C Market risk *(continued)*

C (i) Currency Risk

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Significantly all of the foreign currency transactions of the company are either in US Dollars or in currencies linked to US Dollars. The rate of exchange between the US Dollar and the Omani Rial has remained unchanged since 1986. Management, therefore, does not consider any significant risk arises from transactions in foreign currencies.

Exposure to foreign currency risk was as follows based on notional amounts:

Group (RO)	**31 December 2009**		31 December 2008	
	USD	**Other currencies**	USD	Other currencies
Held for trading investments	**86,269**	**535,397**	73,859	434,017
Bank deposits	**-**	**-**	1,860,985	-
Parent company (RO)				
	USD	**Other currencies**	USD	Other currencies
Held for trading investment	**72,508**	**227,102**	62,975	156,235

As at 31 December 2009, the Group has no bank deposits denominated in USD (31 December 2008: 22%).
As the USD is pegged to the RO, the Management do not believe that there is exposure to material exchange risk.

C (ii) Interest rate risk

The Group and Parent company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk is the risk of changes in market interest rates reducing the overall return on interest bearing securities. The Group and Parent company limits interest rate risk by monitoring changes in interest rates.

At the reporting date, the maturity profile of interest bearing financial instruments was as follows: -

	Less than 6 months		**6 to 12 months**		**Total**	
	Group RO	**Parent company RO**	**Group RO**	**Parent company RO**	**Group RO**	**Parent company RO**
31 December 2009						
USD fixed deposits	**-**	**-**	**-**	**-**	**-**	**-**
RO fixed deposits	**2,906,667**	**-**	**2,150,486**	**-**	**5,057,153**	**-**
Fixed deposits with Oman Housing Bank	**-**	**-**	**150,000**	**-**	**150,000**	**-**
	2,906,667	**-**	**2,300,486**	**-**	**5,207,153**	**-**
31 December 2008						
USD fixed deposits	151,989	-	1,708,996	-	1,860,985	-
RO fixed deposits	6,624,313	-	-	-	6,624,313	-
Fixed deposits with Oman Housing Bank	-	-	150,000	-	150,000	-
Total	6,776,302	-	1,858,996	-	8,635,298	-

34 Financial and insurance risk management *(continued)*

34.2 Financial risk management *(continued)*

C Market risk *(continued)*

C (iii) Equity price risk

The Group and Parent company are exposed to market risk with respect to investments. The Group and Parent company limit exposure to market risk by continuous monitoring of the market and actively monitoring the key factors that affect stock market movements.

91.97 % of the Group's equity investments at the statement of financial position date are within the Sultanate of Oman (2008: 91.4%) and, in case of Parent Company, 94.86 % of the equity investments at the statement of financial position date are within the Sultanate of Oman (2008: 95.05%).

10% change in the market price of the Group's equity investments would change the Group's results by approximately RO 774,000 (2008: RO 594,000).

C (iv) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009		2008	
	Group RO	**Parent company RO**	Group RO	Parent company RO
Level 1				
Fair value through statement of comprehensive income	**6,152,502**	**4,764,674**	4,619,788	3,576,189
Held for trading	**621,666**	**299,610**	507,876	219,210
	6,774,168	**5,064,284**	5,127,664	3,795,399
Level 2				
Fair value through statement of comprehensive income	**827,925**	**771,000**	686,125	629,200
Available for sale investments	**139,286**	**-**	121,429	-
	967,211	**771,000**	807,554	629,200

D Capital management

What Management considers as capital is set-out in the statement of changes in equity. Capital is managed so as to maintain both adequate working capital as well as for the insurance subsidiaries to meet regulatory solvency margin requirements as prescribed by the CMA and the Commercial Companies Law of 1974, as amended.

35 Comparative figures

Certain corresponding figures for the previous year have been reclassified in order to conform with the presentation for the current year.