Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies

Reporting entity

Muscat National Holding Company SAOG ("the Parent Company") is registered as a public joint stock company in the Sultanate of Oman. It has two subsidiary companies as mentioned in note 3.

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

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") No.34 'Interim Financial Reporting', applicable requirements of the Commercial Companies Law of 1974, as amended, and comply with the disclosure requirements of the Capital Market Authority.

The financial statements have been presented in Rial Omani, which is the Group's functional currency.

The unaudited condensed consolidated statement of financial position has been prepared in the order of liquidity.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis and, accordingly, prepared using the historical cost convention. The historical cost convention has been modified to include the measurement at fair value of investments carried at fair value through statement of comprehensive income, available for sale investments and held for trading investments.

Statement of compliance

These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009.

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 condensed interim consolidated financial statements. IFRS 8 disclosures are shown in note 18 to the condensed interim consolidated financial statements.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

Basis of consolidation

The condensed interim consolidated financial statements comprise the results, cash flows and financial position of Muscat National Holding Company SAOG and its subsidiaries.

Subsidiaries are companies, which the Parent Company is able to control, directly or indirectly.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All inter-company balances and transactions and unrealized profits arising from intra-Group transactions are eliminated.

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.

Insurance contracts

(a) General insurance

The general insurance contracts insure classes listed below:

(i) Motor

(ii) Fire, Accident and Property

(iii) Marine

(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.

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.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

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

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.

Notes _(forming part of the unaudited condensed interim consolidated financial statements)_

1. Statement of significant accounting policies _(continued)_

(e) Liability adequacy test _(continued)_

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.

(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.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, other receivables, due to reinsurers, cash and cash equivalents,bank deposits and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits 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.

The bank deposits comprise deposits with maturity between three and twelve months from the date of placement.

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.

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.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

Financial instruments*(continued)*

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.

Commission earned and paid

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

Dividend income

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

Interest income

Interest income is recognised on the accrual basis.

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.

Income tax

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

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".

Notes _(forming part of the unaudited condensed interim consolidated financial statements)_

1. Statement of significant accounting policies _(continued)_

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.

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 (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.

Notes _(forming part of the unaudited condensed interim consolidated financial statements)_

1. Statement of significant accounting policies _(continued)_

Investment property _(continued)_

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.

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 unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

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

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.

Other liabilities and accruals

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

End of service 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.

Borrowings

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

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

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 management to make decisions about resources to be allocated to the segment and assess its performance.

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.

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.

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.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

1. Statement of significant accounting policies *(continued)*

The liability arising from claims made under insurance contracts*(continued)*

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.

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 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.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

2. Underwriting results

This is analysed as follows:

	9 months ended 30 Sept 2010 RO	9 months ended 30 Sept 2009 RO
Revenue		
Gross written premiums arising from insurance contracts issued	**10,856,752**	10,512,526
Movement in unearned premiums	**(853,217)**	(1,339,481)
Insurance premium revenue (a)	**10,003,535**	9,173,045
Premiums (net of commission) ceded to reinsurers on insurance contracts issued	**(7,506,705)**	(6,880,200)
Movement in unearned premiums	**724,955**	1,026,525
Insurance premium ceded to reinsurers (b)	**(6,781,750)**	(5,853,675)
Gross insurance claims and loss adjustment expenses	**(2,956,227)**	(1,390,814)
Insurance claims and loss adjustment expenses recovered from reinsurers	**2,350,860**	835,607
Net claims incurred (c)	**(605,367)**	(555,207)
Expenses for the acquisition of insurance contracts (d)	**(1,073,220)**	(1,350,942)
Underwriting results (a+b+c+d)	**1,543,198**	1,413,221

Notes _(forming part of the unaudited condensed interim consolidated financial statements)_

3 Investment in subsidiaries

The unaudited condensed interim consolidated financial statements include the financial position, financial performance and cashflows of the parent company and its subsidiaries:

	Proportion held 30 Sept 2010	Proportion held 30 Sept 2009	Authorized Share capital RO	Paid up share capital **30 Sept 2010 RO**	Paid up share capital 30 Sept 2009 RO	Cost 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 assurance. A significant portion of the underwriting of the life insurance business is with a related party.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

4. Investments

4.a. Investment income

This is analysed as follows:

	9 months ended 30 Sept 2010 RO	9 months ended 30 Sept 2009 RO
Net unrealised (loss) gains on investments at fair value through statement of comprehensive income	**(600,777)**	1,863,920
Unrealised gain on held for trading investments	**106,805**	238,343
Interest income on Bonds net of amortisation charge	**255,939**	135,812
Interest income on bank deposits	**39,980**	53,410
Dividend income	**455,074**	551,254
Realised loss on disposal of investment securities	**(4,531)**	(70,151)
Rental income on investment property	**56,571**	54,541
	309,061	2,827,129

Realised

Realised investment income represents dividends, gains and losses on disposal of investments and other realised investment related gains and losses.

Unrealised

Movements in the carrying values of investments classified as at fair value through statement of comprehensive income and held to maturity are taken to unrealised investment income.

Interest

Interest receivable from term deposits and bonds is included in investment income.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

4. Investments (continued)

4.b. Investments

Investments include all long term and short term investments of the Parent Company, excluding only those associates and subsidiaries listed in note 3.

Investments are analysed as follows:

(i) *Quoted in the Muscat Securities Market (MSM)*

	Fair value 30 Sept 2010 RO	Fair value 30 Sept 2009 RO	**Book value 30 Sept 2010 RO**	Book Value 30 Sept 2009 RO	Fair value 31 Dec 2009 RO	**Cost 30 Sept 2010 RO**
Banking	**4,993,887**	5,987,829	**4,993,887**	5,987,829	5,624,472	**2,995,021**
Services	**244,327**	152,899	**244,327**	152,899	187,549	**121,442**
Industry	**168,060**	163,350	**168,060**	163,350	158,945	**66,368**
Oil and Energy	**76,160**	72,740	**76,160**	72,740	73,377	**58,057**
Consumer goods	**74,691**	77,214	**74,691**	77,214	80,784	**48,340**
Agriculture/food	**36,250**	38,875	**36,250**	38,875	38,875	**62,500**
	5,593,375	6,492,907	**5,593,375**	6,492,907	6,164,002	**3,351,728**

(ii) *Unquoted (fair value through statement of comprehensive income)*

Services	**816,425**	676,925	**816,425**	676,925	816,425	**332,168**
Sub-total	**816,425**	676,925	**816,425**	676,925	816,425	**332,168**
Total investments (fair value through statement of comprehensive income)	**6,409,800**	7,169,832	**6,409,800**	7,169,832	6,980,427	**3,683,896**

(iii) *Investments available for sale*

Services	**189,286**	121,429	**189,286**	121,429	139,286	**171,429**
Sub-total	**189,286**	121,429	**189,286**	121,429	139,286	**171,429**

Notes (forming part of the unaudited condensed interim consolidated financial statements)

4. Investments (continued)

4. c. investments (continued)

(iv) Quoted marketable securities – foreign by sector (held for trading)

	Fair value 30 Sept 2010 RO	Fair value 30 Sept 2009 RO	**Book value 30 Sept 2010 RO**	Book Value 30 Sept 2009 RO	Fair value 31 Dec 2009 RO	**Cost 30 Sept 2010 RO**
Technology/ Media/Telecom	**184,778**	178,378	**184,778**	178,378	184,138	**500,570**
Industry	**75,821**	54,403	**75,821**	54,403	59,707	**101,794**
Healthcare/Pharmaceuticals	**167,449**	133,451	**167,449**	133,451	142,201	**86,897**
Oil/Energy	**223,358**	185,493	**223,358**	185,493	173,511	**82,339**
Services	**32,788**	34,007	**32,788**	34,007	26,053	**70,665**
Agriculture/Food	**43,192**	35,762	**43,192**	35,762	36,056	**16,721**
	727,386	621,494	**727,386**	621,494	621,666	**858,986**

(v) Investments held to maturity

Bank Muscat Bonds	**4,325,970**	4,247,316	**3,964,186**	3,969,921	4,137,200	**3,964,186**
Govt. Development Bonds	**653,563**	653,563	**637,200**	637,200	653,563	**637,200**
Total	**4,979,533**	4,900,879	**4,601,386**	4,607,121	4,790,763	**4,601,386**

(vi) Other investments

Investment property (book value)	**514,063**	525,313	**514,063**	525,313	522,500	**560,000**
Bank term deposits (book value)	**5,343,234**	5,182,000	**5,343,234**	5,182,000	5,207,153	
Accrued interest (note No. 6) (book value)	**146,701**	130,519	**146,701**	130,519	54,673	
Total investments	**18,310,003**	18,651,466	**17,931,856**	18,357,708	18,316,468	

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

4. Investments (continued)

4. c. investments (continued)

As at 30 September 2010, bank deposits have maturity of twelve months from the date of placement.

5. Premium and insurance receivable

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Premium receivable	**393,828**	624,129	358,583
Premium receivable from related parties	**372,620**	487,737	379,940
Reinsurance balances receivable	**66,201**	393,033	155,618
Less: provision for doubtful debts (see note 9)	**(65,431)**	(77,101)	(65,431)
	767,218	1,427,798	828,710

6. Other receivables and prepayments

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Other receivables and prepayments	**111,728**	80,274	55,565
Accrued interest	**146,701**	130,519	54,673
	258,429	210,793	110,238

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

7. Property, plant and equipment

	Furniture and equipment RO	Motor vehicles RO	Computer hardware & software RO	Land RO	Building RO	Total RO
Cost						
1 January 2010	203,828	126,148	159,289	1,345,072	200,000	2,034,337
Additions	42,543	14,950	5,692	-	-	63,185
Deletions	(150)	(10,250)	-	-	-	(10,400)
30 Sept 2010	**246,221**	**130,848**	**164,981**	**1,345,072**	**200,000**	**2,087,122**
Depreciation						
1 January 2010	145,042	71,780	131,358	-	100,000	448,180
Charge for the period	13,705	16,877	8,036	-	22,500	61,118
Deletions	(58)	(10,250)	-	-	-	(10,308)
30 Sept 2010	**158,689**	**78,407**	**139,394**	**-**	**122,500**	**498,990**
Net carrying value						
30 Sept 2010	**87,532**	**52,441**	**25,587**	**1,345,072**	**77,500**	**1,588,132**
30 Sept 2009	59,138	59,799	27,354	1,345,072	107,500	1,598,863

Property, plant and equipment are presented in the statement of financial position as follows: -

	Furniture and equipment RO	Motor vehicles RO	Computer hardware and software RO	Land RO	Building RO	30 Sept 2010 Total RO
Investment property (note 8)	-	-	-	485,000	29,063	514,063
Property, plant and equipment	87,532	52,441	25,587	860,072	48,437	1,074,069
30 Sept 2010	**87,532**	**52,441**	**25,587**	**1,345,072**	**77,500**	**1,588,132**

Notes _(forming part of the unaudited condensed interim consolidated financial statements)_

8. Investment property

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
At the beginning of the period (at cost)	**560,000**	560,000	560,000
Less: depreciation	**(45,937)**	(34,687)	(37,500)
At the end of the period	**514,063**	525,313	522,500

The investment property is stated at cost less accumulated depreciation.

The Group has estimated the fair value of the land and building at 30 September 2010 as being approximately RO 4,775,000, as compared to the original cost of 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.

9. Provisions

Changes to the level of provisions during the period can be analysed as follows:

	Premium & insurance receivables 30 Sept 2010 RO	Premium & insurance receivables 30 Sept 2009 RO	Premium & insurance receivables 31 Dec 2009 RO
At the beginning of the period	**65,431**	77,101	77,101
Movement for the period	**-**	-	(11,670)
At the end of the period	**65,431**	77,101	65,431

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

10. Insurance liabilities and reinsurance assets

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Gross			
- Outstanding claims reported and loss adjustment expenses	**4,811,864**	10,551,268	4,853,145
- Claims incurred but not reported (IBNR) *	**240,000**	240,000	240,000
- Unearned premium reserve ** (UPR)	**10,233,933**	9,351,773	9,380,717
Total insurance liabilities – Gross	**15,285,797**	20,143,041	14,473,862
Recoverable from reinsurers			
- Outstanding claims reported and loss adjustment expenses	**4,328,742**	10,046,417	4,435,922
- Claims incurred but not reported (IBNR)	**171,325**	171,325	171,325
- Unearned premium reserve (UPR)	**8,117,039**	7,405,748	7,392,085
Total reinsurers' share of insurance liabilities	**12,617,106**	17,623,490	11,999,332
Net			
- Outstanding claims reported and loss adjustment expenses	**483,122**	504,851	417,223
- Claims incurred but not reported (IBNR)	**68,675**	68,675	68,675
- Unearned premium reserve (UPR)	**2,116,894**	1,946,025	1,988,632
Total insurance liabilities – net	**2,668,691**	2,519,551	2,474,530

* *IBNR represents provisions for losses incurred but not yet reported.*

** *Unearned premium reserve represents the element of premium income, relating to periods of cover after the period end.*

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

11. Contingency reserve

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Balance at the beginning of the period	**751,845**	666,501	666,501
Transfer during the period	**61,976**	75,403	85,344
Balance at the end of the period	**813,821**	741,904	751,845

Contingency reserve is not distributable without prior approval from the Capital Market Authority.

12. Other liabilities and accruals

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Other insurance creditors	**490,414**	409,032	435,796
Accruals	**749,770**	750,453	677,625
Due to related parties	**84,747**	209,842	74,388
End of service benefits	**151,873**	122,408	128,810
	1,476,804	1,491,735	1,316,619

13. Cash Dividend

The Annual General Meeting of Share holders held on 31 March 2010 approved a cash dividend at the rate of RO 0.100 (2009: nil) per share amounting to RO 500,000 (2009: nil) for the year ended 31 December 2009.

14. Bank borrowing

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Long term loan	**433,947**	433,947	433,947
Bank overdrafts – Investment operations	**982,476**	1,227,379	1,316,222
	1,416,423	1,661,326	1,750,169

15. Related parties and Holders of 10% or more of the Parent Company's shares

Holders of 10% or more of the Parent Company's shares may include companies, individuals or family members. Families are included if the shares of the family members total 10% or more of the Parent Company's shares. Family members of an individual are those that may be expected to influence, or be influenced by, that person in their dealings with the Parent Company.

The nature of the significant transactions involving related parties or holders of 10% or more of the Parent Company's shares, or their family members, and the amounts involved during the period, were as follows:

	9 months ended 30 Sept 2010	9 months ended 30 Sept 2009	12 months ended 31 Dec 2009
	RO	RO	RO
Insurance premiums (net of commission)	**3,787,661**	3,452,046	3,807,252
Insurance claims	**181,977**	127,303	135,133
Dividend income	**423,576**	519,844	519,844
Interest income	**36,580**	48,991	60,251
Rental income	**51,201**	51,201	68,268
Interest expense	**41,542**	61,171	83,929
Expenses	**64,639**	80,294	125,368
Capital expenditure	**3,264**	1,084	2,044
Compensation of key management personnel	**268,573**	279,604	365,822

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

15. Related parties and holders of 10% of the Parent Company's shares (continued)

Amounts due to or receivable from related parties

Amounts due to or receivable from related parties or holders of 10% or more of the Parent Company's shares, or their family members, less all provisions and write-offs which have been made on these balances at any time, can be further analysed as follows:

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Insurance debtors	**372,620**	487,737	379,940
Investments	**5,791,507**	6,648,874	6,424,483
Bank deposits	**5,193,234**	5,032,000	5,057,153
Bank and cash	**854,289**	1,931,454	699,361
Insurance and other creditors	**84,747**	209,842	74,388
Bank borrowings	**1,416,423**	1,661,326	1,750,169

Note : There are no provisions as at 30 September 2010 (30 September 2009 : Nil) or write offs during the nine months then ended, in respect of the above balances.

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

16. Details of significant investments

Details of all the Parent Company's investments, including associates and subsidiaries, for which, the Parent Company's holding represents 10% or more of the issuer's share capital as of 30 September 2010 are as follows:

	Holding %	Number of securities	Fair value RO	Book value RO	Cost RO
Unquoted securities					
Al Khuwair Development Co (SAOC)	12.4	**155,000**	**759,500**	**759,500**	**300,792**

Details of the Group's investments in which its holding exceeds 10% of the market value of the reporting company's investment portfolio, as at 30 September 2010 are as follows:

	% of investment portfolio	Number of securities	Fair value RO	Book value RO	Cost RO
MSM Quoted securities					
Oman International Bank SAOG	**27.27**	**19,253,470**	**4,993,887**	**4,993,887**	**2,995,021**
Foreign Listed securities			-	-	-
MSM Unquoted securities			-	-	-
Foreign Unlisted securities			-	-	-
Total as at 30 Sept 2010			**4,993,887**	**4,993,887**	**2,995,021**

Notes *(forming part of the unaudited condensed interim consolidated financial statements)*

17. Shareholders

All those shareholders of the Parent Company who own 10% or more of the Parent Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	30 Sept 2010 RO	30 Sept 2009 RO	31 Dec 2009 RO
Dr Omar Zawawi	**1,398,400**	1,398,400	1,398,400
Sulaiman Ahmed Said Al Houqani	**748,230**	748,230	748,230
Dhofar Insurance Co. SAOG	**505,598**	505,598	505,598
	2,652,228	2,652,228	2,652,228

18. Segment reporting

The Group is organised into three major operating segments as defined by IFRS 8: General Insurance, Life Insurance and General Investment. The revenue and results for the Group's reportable segments for the period ended 30 September 2010 were as follows:

	General Insurance RO	**Life Insurance RO**	**General Investment RO**	**Total RO**
Gross premiums written	**7,544,312**	**3,312,440**	**-**	**10,856,752**
Segment results	**420,163**	**571,942**	**(379,736)**	**612,369**

Total assets for each segment which have changed significantly are as follows:

30 September 2010	**15,257,940**	**12,722,816**	**5,541,705**
31 December 2009	14,800,910	12,192,118	5,942,960
Change	457,030	530,698	(401,255)

19 Comparative figures

The corresponding figures, presented in these unaudited condensed interim consolidated financial statements for comparative purposes, as at and for the nine months ended 30 September 2009 have been restated in order to conform with the presentation for the current period.