

**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARY**

**Review report and interim
financial information for the
period ended 30 September 2010**

OMAN INSUARANCE COMPANY P.S.C. AND SUBSIDIARY

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Oman Insurance Company P.S.C. and Subsidiary
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. and subsidiary (together the "Group") as of 30 September 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting." Our responsibility is to express a conclusion on this interim financial information based on our review. The comparative amounts in the condensed consolidated statement of financial position as of 31 December 2009 and related explanatory notes were audited by another auditor whose report dated 28 January 2010 expressed an unqualified opinion thereon. The prior period comparative amounts in the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period ended 30 September 2009 were reviewed by another auditor who issued an unqualified report dated 14 October 2009.

Scope of review

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

Conclusion

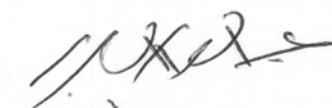
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with International Accounting Standards 34, "Interim Financial Reporting".

Deloitte & Touche

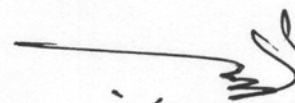
Samir Madbak
Registration No. 386
Sharjah
3 November 2010

**Condensed consolidated statement of financial position
as at 30 September 2010**

	Notes	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
ASSETS			
Property and equipment	4	360,318	363,350
Investment properties	5	230,649	230,649
Advances for purchase of investment properties	6	171,930	133,353
Financial investments	7	1,413,944	1,477,999
Statutory deposits	8	23,538	23,538
Re-insurance contract assets	9	1,135,736	1,100,529
Insurance receivables		991,509	898,411
Prepayments and other receivables		64,206	78,335
Bank balances and cash	10	843,709	675,946
Total assets		5,235,539	4,982,110
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	419,884	381,713
Statutory reserve	12	176,123	176,123
Strategic reserve	13	303,750	303,750
General reserve	14	674,648	674,648
Contingency reserve	15	608	608
Cumulative changes in fair value of securities		(503,785)	(451,241)
Retained earnings		430,785	465,741
Total capital and reserves		1,502,013	1,551,342
Liabilities			
Provision for employees' end of service indemnity		37,795	34,078
Bank borrowings	16	714,429	707,255
Insurance contract liabilities	9	2,041,098	1,959,116
Re-insurance deposits retained		138,658	145,097
Insurance payables		577,159	480,785
Trade and other payables		224,387	104,437
Total liabilities		3,733,526	3,430,768
Total equity and liabilities		5,235,539	4,982,110



.....
Abdul Aziz Abdulah Al Ghurair
Chairman



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Abdul Muttalib Mustafa
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of income (unaudited)
for the period ended 30 September 2010**

	Nine months ended 30 September		Three months ended 30 September	
	2010 AED '000	2009 AED '000	2010 AED '000	2009 AED '000
Gross insurance premium revenue	1,899,540	1,803,076	467,296	438,872
Less: Insurance premium ceded to reinsurers	(938,274)	(868,341)	(256,689)	(236,597)
Net retained premium revenue	961,266	934,735	210,607	202,275
Net change in unearned premium	(17,269)	(14,438)	56,046	74,831
Net insurance premium revenue	943,997	920,297	266,653	277,106
Gross claims settled	(1,074,700)	(913,887)	(330,585)	(303,070)
Insurance claims recovered from reinsurers	624,882	455,774	188,609	175,630
Net claims settled	(449,818)	(458,113)	(141,976)	(127,440)
Net change in outstanding claims	(37,265)	(26,822)	(34,122)	(31,976)
Net claims incurred	(487,083)	(484,935)	(176,098)	(159,416)
Excess of loss reinsurance premium	(40,429)	(30,978)	(13,594)	(11,427)
Policies surrendered and maturities paid	(21,647)	(3,198)	(6,995)	(919)
Reinsurance commission income	111,162	125,868	30,047	31,942
Commission expenses	(201,202)	(158,347)	(64,994)	(46,764)
General and administrative expenses relating to underwriting activities	(153,094)	(126,589)	(38,646)	(43,226)
Other income relating to underwriting activities	17,324	8,312	5,408	2,668
	(287,886)	(184,932)	(88,774)	(67,726)
Underwriting profit before movements in life assurance fund	169,028	250,430	1,781	49,964
(Increase)/decrease in life assurance fund	(16,331)	(23,774)	212	(2,348)
Net underwriting profit	152,697	226,656	1,993	47,616
Net investment income/(loss) (note 17)	37,096	13,755	21,629	(8,112)
Impairment of available-for-sale securities	-	(49,208)	-	-
Other expenses (note 18)	(20,377)	(14,219)	(8,621)	(4,935)
Net profit for the period	169,416	176,984	15,001	34,569
Basic earnings per share (note 20)	0.40	0.42	0.04	0.08

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2010**

	Nine months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	AED '000	AED '000	AED '000	AED '000
Net profit for the period	169,416	176,984	15,001	34,569
Other comprehensive income/(loss):				
Net unrealised (losses)/gains on investments at FVTOCI	(52,544)	-	32,291	-
Net unrealised gains on available-for-sale investments	-	50,204	-	96,305
Reclassification adjustment for losses included in statement of income	-	(75,484)	-	(11,256)
Loss on sale of investments at FVTOCI	(16)	-	-	-
Impairment of available-for-sale securities	-	49,208	-	-
Board of Directors' remuneration paid	(13,500)	(11,000)	-	-
Other comprehensive (loss)/income for the period	(66,060)	12,928	32,291	85,049
Total comprehensive income for the period	103,356	189,912	47,292	119,618

The accompanying notes form an integral part of these condensed consolidated financial statements.

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARY

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**Condensed consolidated statement of changes in equity (unaudited)
for the period ended 30 September 2010**

	Share capital AED '000	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Cumulative changes in fair value of securities AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2009 (audited)	381,713	157,160	303,750	630,990	61	(320,208)	517,434	1,670,900
Adoption of IFRS 9 (note 28)	-	-	-	-	-	(25,244)	25,244	-
Balance at 1 January 2009 (audited) - restated	381,713	157,160	303,750	630,990	61	(345,452)	542,678	1,670,900
Net profit for the period	-	-	-	-	-	-	176,984	176,984
Other comprehensive income for the period	-	-	-	-	-	23,928	(11,000)	12,928
Effect of IFRS 9 from 1 January 2009 to 30 September 2009 (note 28)	-	-	-	-	-	(49,208)	49,208	-
Total comprehensive income for the period	-	-	-	-	-	(25,280)	215,192	189,912
Dividends paid	-	-	-	-	-	-	(190,857)	(190,857)
Balance at 30 September 2009	381,713	157,160	303,750	630,990	61	(370,732)	567,013	1,669,955
Balance at 1 January 2010 (audited)	381,713	176,123	303,750	674,648	608	(451,241)	465,741	1,551,342
Net profit for the period	-	-	-	-	-	-	169,416	169,416
Other comprehensive loss for the period	-	-	-	-	-	(52,544)	(13,516)	(66,060)
Total comprehensive income for the period	-	-	-	-	-	(52,544)	155,900	103,356
Issue of bonus shares	38,171	-	-	-	-	-	(38,171)	-
Dividends paid	-	-	-	-	-	-	(152,685)	(152,685)
	38,171	-	-	-	-	-	(190,856)	(152,685)
Balance at 30 September 2010	419,884	176,123	303,750	674,648	608	(503,785)	430,785	1,502,013

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2010**

	Nine months ended 30 September	
	2010	2009
	AED'000	AED'000
Cash flows from operating activities		
Net profit for the period	169,416	176,984
Adjustments for:		
Depreciation of property and equipment	7,475	7,022
Unrealised loss on investment properties	-	94,450
Gain on sale of available-for-sale investments	-	(75,484)
Impairment of available-for-sale investments	-	49,208
Provision for employees' end of service indemnity	5,997	3,747
Operating cash flows before changes in operating assets and liabilities	182,888	255,927
Increase in reinsurance contract assets	(35,207)	(149,891)
Increase in insurance and other receivables	(78,969)	(215,224)
Increase in insurance contract liabilities	81,982	235,401
Increase in insurance and other payables	119,140	31,930
Decrease in reinsurance deposits retained	(6,439)	(15,174)
Net cash generated from operations	263,395	142,969
Employees' end of service indemnity paid	(2,280)	(231)
Net cash generated from operating activities	261,115	142,738
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(16,194)	-
Proceeds from sale of available-for-sale investments	-	223,286
Decrease in financial investments at FVTPL	27,689	42,620
Purchase of property and equipment	(4,443)	(26,995)
Proceeds on disposal of property and equipment	-	164
Advance for purchase of investment properties	(38,577)	(12,707)
Increase in term deposits maturing after 3 months	(407,862)	(60,781)
Net cash (used in)/generated from investing activities	(439,387)	165,587
Cash flows from financing activities		
Dividends paid	(55,502)	(190,857)
Board of Directors' remuneration paid	(13,500)	(11,000)
Increase/(decrease) in bank borrowings	19,969	(88,004)
Net cash used in financing activities	(49,033)	(289,861)
Net (decrease)/increase in cash and cash equivalents	(227,305)	18,464
Cash and cash equivalents at beginning of the period	349,791	359,481
Cash and cash equivalents at end of the period (note 21)	122,486	377,945

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010**

1. General

Oman Insurance Company P.S.C., which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E. and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P.O.Box 5209, Dubai, United Arab Emirates.

The Company mainly issues short term insurance contracts in connection with property, motor and marine risks (collectively known as general insurance) and medical, group life and personal accident risks (included within life assurance). The Company has a small portfolio of life assurance contracts. The Company also invests its funds in investment securities and properties.

The Company also operates in Oman and Qatar through branches.

2. Standards and Interpretations in issue not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective and not early adopted:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
	–
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
New Interpretations and amendments to Interpretations:	
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirement and Their Interaction</i>	1 January 2011

Management anticipates that these amendments will be adopted in the Group's condensed consolidated financial statements for the initial period when they become effective. Management has not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated and all values are rounded to the nearest thousand (AED ’000) except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, investment properties and property and equipment.

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2009.

3.2 Basis of consolidation

The condensed consolidated financial statements comprise the condensed financial statements of the Company and its Subsidiary as at 30 September. The condensed financial statements of the Subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions are eliminated in full.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The condensed consolidated financial statements incorporate the condensed financial statements of Oman Insurance Company P.S.C. (the “Company”) and its subsidiary (together the “Group”). Details of the subsidiary are as follows:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held %</u>
Equator Trading Enterprises L.L.C.	Trading in quoted securities within U.A.E.	U.A.E.	99.97%

The remaining equity in the above subsidiary is held by the Company beneficially through nominee arrangements.

As required by the Securities and Commodities Authority (“SCA”) notification dated 12 October 2008, accounting policies relating to investment properties and financial assets have been disclosed in the condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)****3. Summary of significant accounting policies (continued)****3.3 Investment properties**

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 cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

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. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultant or broker's quotes.

3.4 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

3.5 Financial assets

At initial recognition, all financial assets are measured at fair value.

Equity investments

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 – Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Gain or loss on disposal of equity investments is not recycled.

Dividend income for all equity investments are recorded through profit or loss.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- ii. the contractual terms of the debt instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

4. Property and equipment

Property and equipment represent items of furniture and equipment, motor vehicles and capital work in progress. Capital work in progress includes a freehold land in United Arab Emirates with a fair value of AED 316,124 thousand. The Group decided to construct a mixed use development on the site with a significant element of the development being owner occupied following a feasibility study in October 2008. The Group is in the process of revisiting the initial feasibility plan based on prevailing real estate market conditions.

5. Investment properties

Investment properties represent the Group's investment in freehold land situated in the Emirate of Dubai, United Arab Emirates and are stated at fair value. 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 the valuation. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded within the consolidated statement of income.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

6. Advances for investment properties

Advances paid on contracts for purchase of investment properties are carried at cost, but are subject to consideration for impairment when indicators of impairment exist. These properties are situated in the Emirate of Dubai, United Arab Emirates.

7. Financial investments

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
At fair value through profit or loss	297,142	324,831
At fair value through other comprehensive income	1,116,802	1,153,168
	1,413,944	1,477,999

7.1 Financial investments at fair value through profit or loss

	Domestic		International		Total	
	30	31	30	31	30	31
	September	December	September	December	September	December
	2010	2009	2010	2009	2010	2009
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Designated upon initial recognition:						
- structured investments unquoted	-	-	259,630	288,584	259,630	288,584
Shares - quoted	37,512	36,247	-	-	37,512	36,247
	37,512	36,247	259,630	288,584	297,142	324,831

Maturity dates for structured notes range between 3 to 10 years. However, the issuers of the notes have options to call back the notes on earlier dates. The principal amounts are guaranteed on maturity or on exercise of the options. The returns on these notes are based mainly on movements in USD LIBOR or share prices of a basket of shares. Certain structured notes with carrying value of AED 191,432 thousand at 30 September 2010 (2009: AED 120,000 thousand) are under lien in respect of guarantees and credit facilities.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

7. Financial investments (continued)

7.2 Financial investments at fair value through other comprehensive income

	Domestic		International		Total	
	30	31 December	30	31	30	31
	September	2009	September	December	September	December
	2010	2009	2010	2009	2010	2009
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Share and mutual funds - Quoted	747,701	757,215	44,843	55,223	792,544	812,438
- Unquoted	222,097	240,872	102,161	99,858	324,258	340,730
	969,798	998,087	147,004	155,081	1,116,802	1,153,168

Quoted shares with carrying value of AED 105,847 thousand at 30 September 2010 (2009: AED 103,711 thousand) were registered in the name of certain shareholders/directors of the Company and third parties who are holding those shares in trust on behalf of the Group.

8. Statutory deposits

	30 September 2010	31 December 2009
	(unaudited)	(audited)
	AED '000	AED '000
Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007	10,000	10,000
Amount under lien with Capital Market Authority – Sultanate of Oman	13,538	13,538
	23,538	23,538

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

9. Insurance contract liabilities and re-insurance contract assets

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Insurance liabilities		
- Outstanding claims	1,045,276	1,003,395
- Additional reserve	95,750	89,250
- Life assurance fund	124,284	107,953
- Unearned premiums	775,788	758,518
	2,041,098	1,959,116
Recoverable from re-insurers		
- Outstanding claims	769,005	764,389
- Unearned premiums	366,731	336,140
	1,135,736	1,100,529
Insurance liabilities – net		
- Outstanding claims	276,271	239,006
- Additional reserve	95,750	89,250
- Life assurance fund	124,284	107,953
- Unearned premiums	409,057	422,378
	905,362	858,587

10. Bank balances and cash

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Cash on hand	28,640	13,559
Bank balances:		
Current accounts	135,611	59,457
Fixed deposits	679,458	602,930
	815,069	662,387
	843,709	675,946
Bank balances:		
In U.A.E.	690,291	611,832
In other G.C.C. countries	124,778	50,555
	815,069	662,387

**Notes to the condensed consolidated statements
for the period ended 30 September 2010 (continued)**

10. Bank balances and cash (continued)

Cash on hand includes fiduciary investments against life policies of AED 28.5 million (2009: AED 13.5 million).

Certain deposits with carrying values of AED 165,134 thousand at 30 September 2010 (2009: AED 130,466 thousand) are subject to lien in respect of guarantees and overdraft facilities.

11. Share capital

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Authorized, issued and fully paid 419,883,750 shares of AED 1 each (2009: 381,712,500 shares of AED 1 each)	419,884	381,713

Share capital increased by AED 38,171 thousand during the period as a result of 10% scrip dividend issued during the current period.

12. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. No transfers have been made during the nine months period ended 30 September 2010, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

13. Strategic reserve

The strategic reserve may be utilized for any purpose to be determined by a resolution of the Shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the nine months period ended 30 September, 2010.

14. General reserve

Annual transfers to the general reserve are made at the rate of 25% of the net profit less Directors' fees for the year. The reserve is freely available for distribution. No transfers have been made to the general reserve during the nine months period to 30 September 2010, as this will be based on the results of the year.

**Notes to the condensed consolidated statements
for the period ended 30 September 2010 (continued)**

15. Contingency reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979 and in accordance with the Capital Market Authority's letter, CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims of the Oman branch at the reporting date is transferred from retained earnings to a contingency reserve. In case of insufficient retained earnings or accumulated loss position, the transfer is adjusted against the head office current account balance. The reserve is not available for distribution. No transfers have been made to the contingency reserve during the nine months period ended 30 September 2010, as this will be based on the results of the year.

16. Bank borrowings

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Bank overdraft	154,307	167,101
Short term loans	309,569	472,222
Long term loans	250,553	67,932
	714,429	707,255

Long term loans include an amount of AED 95,473 thousand (2009: AED 67,932 thousand) which carries interest at 1 month LIBOR + 2.75% and is repayable in bullet payment in September 2012 and an amount of AED 100,000 thousand (2009: Nil) which carries interest at 3 month EIBOR + 2.5% and is repayable in bullet payment in March 2013. Long term loans also include AED 55,080 thousand (2009: Nil) which carries interest at 3 month USD LIBOR +2.00% and is repayable at the discretion of the Company and is available till the date of the disposal of colaterised investments managed by the lender. Management expects to repay this loan in three years time.

Short-term loans are unsecured and are repayable within six-months/one year of draw down. The loans are normally rolled over for additional similar periods.

Short term loans include an amount AED 100,000 thousand (2009: AED Nil) which carries interest at 1 months EIBOR + 2% and is repayable in a bullet payment in October 2010 or is renewable on six months basis and an amount AED 50,000 thousand (2009: AED Nil) which carries interest at 3 months EIBOR + 2.50 % and is repayable in equal installments from January 2011 to July 2011 and an amount AED 150,000 thousand (2009: AED 150,000 thousand) which carries interest at Bank rate + 1.00% and is repayable in July 2011 or is renewable on yearly basis.

Bank overdraft carries interest at base lending rate + 1.00% and is repayable or renewable on yearly basis.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

17. Net investment income/(loss)

	Nine months period ended 30 September		Three months period ended 30 September	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED '000	AED '000	AED '000	AED '000
Realised gains	-	75,513	-	11,256
Fair value gains/(losses)	8,894	(94,521)	16,512	(19,066)
Other investment income	48,837	58,844	11,461	9,278
Investment expenses – finance costs	(20,635)	(26,081)	(6,344)	(9,580)
	<u>37,096</u>	<u>13,755</u>	<u>21,629</u>	<u>(8,112)</u>
	<u><u>37,096</u></u>	<u><u>13,755</u></u>	<u><u>21,629</u></u>	<u><u>(8,112)</u></u>

18. Other expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED '000	AED '000	AED '000	AED '000
General and administration expenses not allocated	(12,812)	(10,273)	(4,501)	(3,643)
Interest expense	(7,294)	(4,519)	(3,067)	(1,572)
Exchange loss	(1,171)	-	(1,171)	-
Other income	900	573	118	280
	<u>(20,377)</u>	<u>(14,219)</u>	<u>(8,621)</u>	<u>(4,935)</u>
	<u><u>(20,377)</u></u>	<u><u>(14,219)</u></u>	<u><u>(8,621)</u></u>	<u><u>(4,935)</u></u>

19. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

19. Related party transactions (continued)

- a) At the end of the reporting period, amounts due from/to related parties are included in the following accounts:

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Cash and bank balances	285,492	251,932
Statutory deposits	12,527	12,527
Net insurance receivables	70,540	41,528
Net insurance payable	15,284	10,697
Bank overdraft	151,539	124,325
Long Term loans	150,000	150,000
Dividends payable	97,184	-

- b) During the period, the Group entered into the following transactions with related parties:

	Nine months period ended 30 September		Three months period ended 30 September	
	2010 (unaudited) AED '000	2009 (unaudited) AED '000	2010 (unaudited) AED '000	2009 (unaudited) AED '000
Premiums	132,641	117,153	34,386	30,931
Claims	82,385	70,698	25,894	20,492
Interest expense	4,122	1,392	1,931	852
Commission paid	1,000	6,058	-	1,000
Shares purchased	6,675	5,751	-	4,680
Advance for investment property	38,578	-	38,578	-

Premiums are charged to related parties at rates agreed with management.

- c) *Compensation of key management personnel*

	Nine months period ended 30 September		Three months period ended 30 September	
	2010 (unaudited) AED '000	2009 (unaudited) AED '000	2010 (unaudited) AED '000	2009 (unaudited) AED '000
Salaries and benefits	6,977	6,092	489	396

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

20. Basic earnings per share

	Nine months period ended 30 September		Three months period ended 30 September	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net profit for the period (AED '000)	169,416	176,984	15,001	34,569
Weighted average number of shares	419,883,750	419,883,750	419,883,750	419,883,750
Basic earnings per share (AED)	0.40	0.42	0.04	0.08

Basic earnings per share are calculated by dividing the net profit for the period by the number of weighted average of shares outstanding at the end of the reporting period.

The weighted average number of shares as of 30 September 2009 has been adjusted to reflect the bonus shares issued during 2010.

21. Cash and cash equivalents

	Nine months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 months	112,542	409,823
Bank balances and cash	164,251	106,253
	276,793	516,076
Less: Bank overdrafts	(154,307)	(138,131)
	122,486	377,945

Certain deposits with carrying value of AED 89,961 thousand at 30 September 2010 (2009: AED 82,795 thousand) are subject to lien in respect of guarantees and overdraft facilities.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

22. Dividends

At the annual general meeting held on 23 February 2010, the Shareholders approved the following:

A cash dividend of 40% amounting to AED 152,685 thousand for 2009 (2008: AED 190,857 thousand).

Bonus shares amounting to AED 38,171 thousand for 2009 (2008: Nil).

23. Contingent liabilities

At 30 September 2010, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 34,464 thousand (31 December 2009: AED 47,781 thousand).

24. Commitments

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Capital/purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	49,749	33,230
Commitments in respect of purchase of Investment properties	29,519	89,257
	79,268	122,487

Operating lease commitments

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	30 September 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Within one year	12,253	13,836
Second to fifth year	4,608	389

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

25. Segment information

For management purposes, the Group is organised into three business segments, general insurance, life assurance and investment. The general insurance segment comprises motor, marine, fire, engineering and general accident. The life assurance segment includes life, medical, group life and personal accident. Investment comprises investments and cash management for the Group's own accounts. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on arm's length basis. Segmental information is presented below:

	Nine months ended 30 September (unaudited)					
	2010 AED '000	2009 AED '000	2010 AED '000	2009 AED '000	2010 AED '000	2009 AED '000
	General insurance		Life assurance		Total	
Gross insurance premium revenue	1,321,882	1,291,053	577,658	512,023	1,899,540	1,803,076
Net underwriting profit	138,339	187,044	14,358	39,612	152,697	226,656
Total investment income					37,096	(35,453)
Unallocated other expenses					(20,377)	(14,219)
Profit for the period					169,416	176,984

	30 September 2010 (unaudited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	2,230,837	482,783	2,521,919	5,235,539
Segment liabilities	2,554,778	464,319	714,429	3,733,526
Capital expenditure	4,312	131	-	4,443
Depreciation	7,077	398	-	7,475

	31 December 2009 (audited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	2,521,499	459,556	2,001,055	4,982,110
Segment liabilities	2,320,875	402,638	707,255	3,430,768
Capital expenditure	34,816	240	-	35,056
Depreciation	7,668	893	-	8,561

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)**

26. Seasonality of results

Other investment income includes dividends income of AED 26,195 thousand for the nine month period ended 30 September 2010 (2009: AED 40,874 thousand), which is of a seasonal nature.

27. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 3 November 2010.

28. Restatement of comparative figures

The Group has adopted IFRS 9 Financial Instruments in 2009 in advance of its effective date. The standard was applied retrospectively and the Group had chosen the limited exemption not to restate comparative information in the year of initial application. As a result, the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application were recognised in the opening retained earnings (or other component of equity, as appropriate).