Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2008 (UNAUDITED)

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARAB ORIENT INSURANCE COMPANY (PSC)

Introduction

We have reviewed the accompanying interim balance sheet of Arab Orient Insurance Company (PSC) (the "Company") as at 30 September 2008 and the related interim statements of income for the three months and nine months period then ended, and the related statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by:
Edward B. Quinlan
Partner
Registration No. 93

19 October 2008

Dubai, United Arab Emirates

Arab Orient Insurance Company (PSC)

INTERIM BALANCE SHEET

At 30 September 2008 (Unaudited)

	Notes	*30 September 2008 AED'000*	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
ASSETS				
Cash and investments:				
Bank balances and cash		**1,673**	4,865	15,914
Deposits with banks	4	**606,211**	603,236	557,953
Investment securities	5	**70,225**	31,541	44,281
Investment property	6	**127,802**	-	-
Investment in associated company	7	**26,456**	25,383	24,351
		832,367	665,025	642,499
Receivables arising from insurance and reinsurance contracts		**251,252**	195,040	181,606
Re-insurers share of unearned premiums		**293,743**	232,962	224,168
Re-insurers' share of outstanding claims		**215,521**	231,444	241,152
Property and equipment		**3,287**	3,022	2,504
Prepayments and other receivables		**27,878**	4,949	26,799
		791,681	667,417	676,229
TOTAL ASSETS		**1,624,048**	1,332,442	1,318,728
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	8	**250,000**	200,000	200,000
Statutory reserve	9	**47,917**	47,917	34,307
Legal reserve	10	**58,042**	58,042	44,432
Exceptional loss reserve	11	**42,324**	42,324	33,269
General reserve	12	**51,388**	101,388	41,588
Retained earnings		**120,399**	46	90,090
Proposed dividends		**-**	40,000	-
Cumulative changes in fair values of securities		**(5,223)**	1,944	(497)
Total equity		**564,847**	491,661	443,189
Liabilities				
Liabilities arising from insurance contracts:				
Unearned premiums		**403,898**	320,913	307,857
Gross outstanding claims		**318,509**	325,278	330,788
		722,407	646,191	638,645
Reinsurance balances payable		**232,366**	161,610	174,460
Other payables and accruals		**104,428**	32,980	32,434
Dividend payable		**-**	-	30,000
Total liabilities		**1,059,201**	840,781	875,539
TOTAL EQUITY AND LIABILITIES		**1,624,048**	1,332,442	1,318,728

Senior Managing Director
19 October 2008

The attached notes 1 to 14 form part of these interim condensed financial statements.

Arab Orient Insurance Company (PSC)

INCOME STATEMENT

30 September 2008 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
UNDERWRITING INCOME					
Gross premium					
Insurance contracts premium receivable		**217,731**	179,918	**718,663**	530,449
Movement in provision for unearned premium		**(16,464)**	(26,785)	**(82,985)**	(78,489)
Insurance premium revenue		**201,267**	153,133	**635,678**	451,960
Less: **Reinsurers' share of premium**					
Insurance contracts premium receivable		**153,821**	130,752	**508,545**	374,020
Movement in provision for unearned premium		**(10,407)**	(23,003)	**(60,781)**	(63,450)
		143,414	107,749	**447,764**	310,570
Net insurance premium revenue		**57,853**	45,384	**187,914**	141,390
Commission income		**34,411**	21,318	**92,814**	64,805
		92,264	66,702	**280,728**	206,195
UNDERWRITING EXPENSES					
Claims paid		**99,012**	165,360	**276,474**	287,758
Less: re-insurance share		**(73,256)**	(143,240)	**(197,728)**	(226,940)
Net claims		**25,756**	22,120	**78,746**	60,818
Increase in outstanding claims		**1,735**	2,268	**9,154**	6,386
Claims incurred		**27,491**	24,388	**87,900**	67,204
Commission expenses		**17,765**	12,732	**55,876**	43,807
General and administration		**14,905**	9,924	**39,676**	28,602
		60,161	47,044	**183,452**	139,613
NET UNDERWRITING INCOME		**32,103**	19,658	**97,276**	66,582
INVESTMENT INCOME					
Interest income		**7,771**	8,416	**22,657**	23,804
Rental income		**5,250**	-	**5,250**	-
Gain on sale of trading securities		**-**	-	**76**	4,289
Fair value loss on trading securities		**(6,084)**	(1,054)	**(6,279)**	(4,601)
Gain on sale of available for sale securities		**-**	-	**300**	-
		6,937	7,362	**22,004**	23,492
Share of profit of an associate		**273**	-	**1,073**	-
PROFIT FOR THE PERIOD		**39,313**	27,020	**120,353**	90,074
Basic and diluted earnings per share (AED)	3	**15.73**	10.80	**48.14**	36.02

The attached notes 1 to 14 form part of these interim condensed financial statements.

Arab Orient Insurance Company (PSC)

CASH FLOW STATEMENT

30 September 2008 (Unaudited)

	Nine months ended 30 September	
	2008	*2007*
	AED'000	*AED'000*
OPERATING ACTIVITIES		
Profit for the period	**120,353**	90,074
Adjustments for:		
Depreciation	**807**	536
Loss (gain) on sale of property and equipment	**74**	(92)
Interest income	**(22,657)**	(23,804)
Share of associate's profit	**(1,073)**	-
Gain on sale of trading securities	**(76)**	(4,289)
Gain on sale of available for sale securities	**(300)**	-
Changes in fair value of trading securities	**6,279**	4,601
Movement in unearned premium	**22,204**	15,039
Operating profit before changes in operating assets and liabilities	**125,611**	82,065
Receivables arising from insurance and reinsurance contracts	**(56,212)**	(40,843)
Re-insurers' share of outstanding claims	**15,923**	(29,275)
Prepayments and other receivables	**(22,929)**	(21,630)
Gross outstanding claims	**(6,769)**	35,660
Reinsurance balances payable	**70,756**	(32,674)
Other payables and accruals	**71,448**	1,893
Net cash from operating activities	**197,828**	(4,804)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,464)**	(1,841)
Proceeds from sale of property and equipment	**318**	200
Interest income	**22,657**	23,804
Bank deposits	**(2,975)**	(10,838)
Purchase of available for sale investments	**(28,832)**	(9,167)
Sale of available for sale investments	**2,002**	-
Purchase of trading securities	**(25,537)**	-
Sale of trading securities	**613**	6,627
Purchase of investment property	**(127,802)**	-
Net cash used in investing activities	**(161,020)**	8,785
FINANCING ACTIVITY		
Dividend paid	**(40,000)**	-
Net cash used in financing activity	**(40,000)**	-
(DECREASE) INCREASE IN BANK BALANCES AND CASH	**(3,192)**	3,981
Bank balances and cash at 1 January	**4,865**	11,933
BANK BALANCES AND CASH AT 30 SEPTEMBER	**1,673**	15,914

The attached notes 1 to 14 form part of these interim condensed financial statements.

Arab Orient Insurance Company (PSC)

STATEMENT OF CHANGES IN EQUITY

30 September 2008 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed dividend AED'000*	*Cumulative changes in fair value AED'000*	*Total AED'000*
Balance at 1 January 2008	200,000	47,917	58,042	42,324	101,388	46	40,000	1,944	491,661
Net movement in cumulative changes in fair value	-	-	-	-	-	-	-	(7,167)	(7,167)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(7,167)	(7,167)
Profit for the period	-	-	-	-	-	120,353	-	-	120,353
Total income and expenses for the period	-	-	-	-	-	**120,353**	-	**(7,167)**	**113,186**
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(40,000)	-	(40,000)
As of 30 September 2008	**250,000**	**47,917**	**58,042**	**42,324**	**51,388**	**120,399**	-	**(5,223)**	**564,847**
Balance at 1 January 2007	150,000	34,307	44,432	33,269	91,588	16	30,000	(864)	382,748
Net movement in cumulative changes in fair value	-	-	-	-	-	-	-	367	367
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	367	367
Profit for the period	-	-	-	-	-	90,074	-	-	90,074
Total income and expenses for the period	-	-	-	-	-	90,074	-	367	90,441
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(30,000)	-	(30,000)
As of 30 September 2007	200,000	34,307	44,432	33,269	41,588	90,090	-	(497)	443,189

The attached notes 1 to 14 form part of these interim condensed financial statements.

1 ACTIVITIES

Arab Orient Insurance Company (PSC) ("the Company") is a Public Shareholding Company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended, ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks, group life and medical (collectively known as general insurance). The Company also invests its funds in investment securities. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates.

The Company operates in the United Arab Emirates and most of the insurance policies are issued in the UAE.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

Accounting policies
The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007 except for the adoption of new standards and interpretations, noted below.

IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*
This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted as an equity - settled scheme, even if the entity buys instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the Company.

IFRIC 14 IAS 19- *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*
This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this interpretation had no impact on the financial position or performance of the Company.

The Company has also enhanced disclosures in these interim condensed financial statements as required by circular AA/KH/2656/2008 RN issued by the Securities and Commodities Authority, such disclosures primarily relate to the investment activities of the Company, the classification of such activities, and an explanatory notes and accounting policies.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 2,500,000 shares. The number of shares outstanding has been adjusted for all periods since the capitalisation of general reserves did not increase the total available resources.

No figure for diluted earnings has been presented because the Company has not issued any instrument which would have an impact on earnings per share when exercised.

4 DEPOSITS WITH BANKS

Included in deposit with banks are AED 10,000,000 and AED 14,100,450 representing statutory deposits that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with the Article 42 of the UAE Federal Law No. 6 of 2007 and the Insurance Company Law of the Sultanate of Oman, respectively.

Except for the statutory deposit of AED 14,100,450 as stated above, the balance of deposits with banks is within United Arab Emirates.

5 INVESTMENT SECURITIES

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
Investments carried at fair value through income statement			
Managed portfolios			
- within UAE	**14,829**	-	-
- outside UAE	**9,202**	-	-
	24,031	-	-
Held for trading – Quoted shares (within UAE)	**10,349**	15,659	14,510
	34,380	15,659	14,510
Available-for-sale investments			
Debt			
Quoted shares (within UAE)	**10,000**	10,000	10,000
Equity			
Quoted shares (within UAE)	**15,073**	5,882	19,771
Unquoted shares (within UAE)	**10,772**	-	-
	35,845	15,882	29,771
	70,225	31,541	44,281

All investment securities are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Trading securities
After initial recognition, all trading securities are remeasured at fair value. All related realised and unrealised gains or losses are recognised in the income statement.

Available for sale securities
After initial recognition, securities which are classified as "available-for-sale" are remeasured at fair value. Unrealised gains or losses are reported as a separate component of equity until the security is derecognised or until the security is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

In the case of unquoted investments in shares where fair value cannot reliably be measured, such investments are carried at cost less provision for impairment.

6 INVESTMENT PROPERTY

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
At cost (within UAE)	**127,802**	-	-

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment property when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Company. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the income statement in the period in which it is incurred.

No depreciation is charged on freehold land.

For the period ended 30 September 2008, the fair value of the investment property amounted to AED 221 million based on a valuation done by an independent valuer.

7 INVESTMENT IN ASSOCIATED COMPANY

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
Cost	**24,351**	24,351	24,351
Add: share of associated company's retained earnings	**2,105**	1,032	-
	26,456	25,383	24,351

The investment in associated Company represents a 40% interest in Arab Orient Insurance Company, Syria, a public shareholding Company registered and incorporated in Syria. The company commenced its commercial operations effective 2 April 2007.

The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the company and its associate are eliminated to the extent of the Company's interest in the associate.

8 SHARE CAPITAL

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
Issued and fully paid- shares of AED 100 each	**250,000**	200,000	200,000

The shareholders approved an increase in the share capital by AED 50 million by the capitalisation of general reserve in the extraordinary meeting held on 24 February 2008. The formalities in respect of the increase in the share capital were completed during the period end.

9 STATUTORY RESERVE

In accordance with the Company's Articles of Association, 10% of the 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 25% of paid up capital. No transfer has been made during the nine month period to 30 September 2008, as this will be based on the results for the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

10 LEGAL RESERVE

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the nine month period to 30 September 2008, 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.

11 EXCEPTIONAL LOSS RESERVE

An amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the nine month period to 30 September 2008, as this will be based on the results for the year.

12 GENERAL RESERVE

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors. No transfer has been made to the general reserve during the nine month period to 30 September 2008, as this will be based on the results for the year.

13 SEGMENTAL INFORMATION

Primary segment information
For management purposes the Company is organised into two business segments, general insurance and investment. The general insurance segment comprises property, engineering, motor, marine, miscellaneous accident, medical, group life and personal accident classes. Investment comprises investment and cash management for the Company's own account. These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
General Insurance			
Underwriting income	**280,728**	286,291	206,195
Underwriting expenses	**(183,452)**	(195,642)	(139,613)
Net underwriting income	**97,276**	90,649	66,582

13 SEGMENTAL INFORMATION (continued)

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
Investments			
Investment income	**22,004**	44,424	23,492
Share of associate's profit	**1,073**	1,032	-
	23,077	45,456	23,492
Profit for the period	**120,353**	136,105	90,074

Secondary segment information
For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

14 CONTINGENCIES

	30 September 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 September 2007 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**3,238**	2,215	2,502

Bank guarantees have been issued in normal course of business.

Capital commitment			
Commitment for investments	**45,850**	-	-