Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2009

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 balance sheet of Arab Orient Insurance Company (PSC) (the "Company") as at 31 March 2009 and the related statements of income, comprehensive income, cash flows and changes in equity for the three 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

14 April 2009

Dubai, United Arab Emirates

INTERIM BALANCE SHEET
At 31 March 2009 (Unaudited)

	Notes	31 March 2009 AED'000	Audited 31 December 2008 AED'000	31 March 2008 AED'000
ASSETS				
Office equipment and vehicles		**4,399**	3,956	3,432
Investment property	4	**127,802**	127,802	-
Investment in associated company	5	**27,979**	27,141	26,183
Investment securities	6	**49,430**	51,132	58,506
Reinsurance share of outstanding claims		**287,553**	329,975	230,161
Reinsurance share of unearned premium reserve		**315,220**	308,138	250,098
Insurance receivables		**261,747**	225,122	235,008
Prepayment and other receivables		**19,878**	8,676	12,867
Deposits with banks	7	**634,943**	634,943	553,000
Cash and cash equivalents		**38,915**	61,045	50,223
TOTAL ASSETS		**1,767,866**	1,777,930	1,419,478
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**300,000**	250,000	250,000
Statutory reserve	9	**62,500**	62,500	47,917
Legal reserve	10	**73,051**	73,051	58,042
Exceptional loss reserve	11	**55,880**	55,880	42,324
General reserve	12	**58,240**	108,240	51,388
Retained earnings		**51,847**	139	40,120
Proposed dividends		**-**	50,000	-
Cumulative changes in fair values of securities		**-**	-	(133)
Total equity		**601,518**	599,810	489,658
Liabilities				
Insurance contract liabilities:				
Unearned premiums		**432,115**	421,302	345,254
Outstanding claims		**393,912**	433,063	327,652
		826,027	854,365	672,906
Reinsurance payable		**135,125**	187,006	104,019
Amounts held under insurance treaties		**99,784**	93,783	71,987
Other payables and accruals		**55,412**	42,966	40,908
Dividend payable		**50,000**	-	40,000
Total liabilities		**1,166,348**	1,178,120	929,820
TOTAL EQUITY AND LIABILITIES		**1,767,866**	1,777,930	1,419,478

Senior Managing Director
14 April 2009

The attached notes 1 to 15 form part of these interim condensed financial statements.

Arab Orient Insurance Company (PSC)

INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2009 (Unaudited)

	Note	Three months ended 31 March 2009 AED'000	2008 AED'000
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium receivable		**224,246**	196,842
Movement in provision for unearned premium		**(10,813)**	(24,342)
Insurance premium revenue		**213,433**	172,500
Less: **Reinsurers' share of premium**			
Insurance contracts premium receivable		**144,556**	125,821
Movement in provision for unearned premium		**(7,082)**	(17,136)
		137,474	108,685
Net insurance premium revenue		**75,959**	63,815
Commission income		**24,249**	24,713
Total underwriting income		**100,208**	88,528
UNDERWRITING EXPENSES			
Claims paid		**145,907**	87,055
Less: re-insurance share		**(116,699)**	(65,436)
Net claims		**29,208**	21,619
Increase in outstanding claims		**3,271**	3,656
Claims incurred		**32,479**	25,275
Commission expenses		**15,568**	15,940
General and administration expenses		**14,560**	11,399
Total underwriting expenses		**62,607**	52,614
NET UNDERWRITING INCOME		**37,601**	35,914
INVESTMENT INCOME			
Interest income		**9,721**	7,329
Rental and other income		**5,250**	-
Gain on sale of trading securities		**-**	76
Fair value loss on investments at fair value through profit or loss		**(1,702)**	(4,045)
		13,269	3,360
Share of associate's profit		**838**	800
PROFIT FOR THE PERIOD		**51,708**	40,074
Basic and diluted earnings per share (AED)	3	**17.24**	13.36

The attached notes 1 to 15 form part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2009 (Unaudited)

	Note	*Three months ended 31 March*	
		2009 ***AED'000***	*2008* *AED'000*
Profit for the period		**51,708**	40,074
Other comprehensive income			
Net unrealised losses on available for sale investments		-	(2,077)
Total comprehensive income for the period		**51,708**	37,997

The attached notes 1 to 15 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
31 March 2009 (Unaudited)

	Three months ended 31 March	
	2009 AED'000	*2008 AED'000*
OPERATING ACTIVITIES		
Profit for the period	**51,708**	40,074
Adjustments for:		
Depreciation	**320**	253
Loss on sale of office equipment and vehicles	**(37)**	13
Interest income	**(9,721)**	(7,329)
Rental income	**(5,250)**	-
Share of associate's profit	**(838)**	(800)
Gain on sale of investment at fair value through profit or loss	**-**	(76)
Unrealised loss on investments at fair value through profit or loss	**1,702**	4,045
Re-insurer's share of unearned premium	**(7,082)**	(17,136)
Movement in unearned premiums	**10,813**	24,342
Operating profit before changes in operating assets and liabilities	**41,615**	43,386
Receivables arising from insurance and reinsurance contracts	**(36,625)**	(39,968)
Re-insurers' share of outstanding claims	**42,422**	1,283
Prepayments and other receivables	**(11,202)**	(7,918)
Outstanding claims	**(39,151)**	2,373
Reinsurance balances payable	**(45,880)**	14,396
Other payables and accruals	**12,446**	7,928
Net cash (used in) from operating activities	**(36,375)**	21,480
INVESTING ACTIVITIES		
Purchase of office equipment and vehicles	**(802)**	(733)
Proceeds from sale of office equipment and vehicles	**76**	57
Interest income	**9,721**	7,329
Rental income	**5,250**	-
Purchase of available for sale investments	**-**	(8,087)
Purchase of trading investments	**-**	(537)
Purchase of investments at fair value through profit or loss	**-**	(25,000)
Sale of trading investments	**-**	613
Net cash from (used in) investing activities	**14,245**	(26,358)
DECREASE IN CASH AND CASH EQUIVALENTS	**(22,130)**	(4,878)
Cash and cash equivalents at 1 January	**61,045**	55,101
CASH AND CASH EQUIVALENTS AT 31 MARCH	**38,915**	50,223

The attached notes 1 to 15 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

31 March 2009 (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 values AED'000*	*Total AED'000*
Balance at 1 January 2009	250,000	62,500	73,051	55,880	108,240	139	50,000	-	599,810
Total comprehensive income (expense) for the period	-	-	-	-	-	51,708	-	-	51,708
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(50,000)	-	(50,000)
At 31 March 2009	**300,000**	**62,500**	**73,051**	**55,880**	**58,240**	**51,847**	-	-	**601,518**
Balance at 1 January 2008	200,000	47,917	58,042	42,324	101,388	46	40,000	1,944	491,661
Total comprehensive income (expense) for the period	-	-	-	-	-	40,074	-	(2,077)	37,997
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(40,000)	-	(40,000)
At 31 March 2008	250,000	47,917	58,042	42,324	51,388	40,120	-	(133)	489,658

The attached notes 1 to 15 form part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2009 (Unaudited)

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. During 2008, the company obtained a license to open a branch in Muscat, Oman to undertake insurance business in Oman.

2 ACCOUNTING POLICIES

The interim condensed financial information of the Company is prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). 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 2008, except as noted below.

During the period, the Company has adopted the following standards effective for the annual periods beginning on as after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):
The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':
The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any significant change to the reportable segments presented by the Company, as the segments reported by the Company were consistent with the internal reporting provided to the chief operating decision maker.

Interim 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, and should be read in conjunction with the Company's annual financial statements as at 31 December 2008. In addition, results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 3,000,000 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 INVESTMENT PROPERTY

	31 March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
At cost (within UAE)	**127,802**	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.

5 INVESTMENT IN ASSOCIATED COMPANY

	31 March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
Cost	**24,351**	24,351	24,351
Add: share of associated company's retained earnings	**3,628**	2,790	1,832
Balance at the end	**27,979**	27,141	26,183

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.

6 INVESTMENT SECURITIES

	31 March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
Investments carried at fair value through profit or loss			
Managed portfolios			
- within UAE	**5,456**	4,672	8,864
- outside UAE	**10,968**	13,596	16,136
	16,424	18,268	25,000
Held for trading – Quoted shares (within UAE)	**4,611**	4,444	11,614
	21,035	22,712	36,614
Available for sale investments			
Debt			
Quoted (within UAE)	**10,000**	10,000	10,000
Equity			
Quoted (within UAE)	**5,198**	5,223	11,892
Unquoted (within UAE)	**13,197**	13,197	-
	28,395	28,420	21,892
	49,430	**51,132**	**58,506**

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 investments
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.

7 DEPOSITS WITH BANKS

Included in deposit with banks are AED 10,000,000, AED 14,100,450 and AED 477,500 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, the Insurance Company Law of the Sultanate of Oman and Omani Unified Bureau for the orange Card (SAOC), respectively.

Except for the statutory deposits of AED 14,100,450 and AED 477,500 as stated above, the balance of deposits with banks are within United Arab Emirates.

8 SHARE CAPITAL

	31 March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31March 2008 AED'000*
Issued and fully paid- shares of AED 100 each	300,000	250,000	250,000

The shareholders approved an increase in the share capital by AED 50 million by the capitalisation of general reserve in the extraordinary meting held on 25 February 2009. The formalities in respect of the increase in the share capital have been fully completed as of 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 three month period to 31 March 2009, 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 three month period to 31 March 2009, 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 three month period to 31 March 2009, 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 three month period to 31 March 2009, 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:

	31March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
General Insurance			
Underwriting income	**100,208**	376,983	88,528
Underwriting expenses	**(62,607)**	(241,429)	(52,614)
Net underwriting income	**37,601**	135,554	35,914

	31March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
Investments			
Investment income	**13,269**	12,781	3,360
Share of associate's profit	**838**	1,758	800
	14,107	14,539	4,160
Profit for the period	**51,708**	150,093	40,074

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 CONTINGENT LIABILITIES

	31 March 2009 AED'000	*Audited 31 December 2008 AED'000*	*31 March 2008 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**2,178**	3,208	2,883

Bank guarantees have been issued in the normal course of business.

Capital commitment			
Commitment for investments	**43,972**	43,972	-

15 COMPARATIVE INFORMATION

The Company has changed the order of presentation of assets on its balance sheet to align it with the order adopted for presentation of its liabilities with less liquid items presented before more liquid items. Bank deposits with maturity period less then 90 days have been included under cash and cash equivalents.

The above changes have been made to improve the quality of information presented and do not affect previously reported income statement or equity amounts.