Arab Orient Insurance Company (PSC) and its subsidiary

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009 (UNAUDITED)

ERNST & YOUNG

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Orient Insurance Company (PSC) as at 30 June 2009, comprising of the interim consolidated statement of financial position as at 30 June 2009, the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the statement of changes in equity and cash flow for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated 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 consolidated 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

16 July 2009

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009 (Unaudited)

	Notes	*30 June 2009* AED'000	*Audited 31 December 2008* AED'000	*30 June 2008* AED'000
ASSETS				
Office equipment and vehicles		**4,608**	3,956	3,463
Investment property	4	**127,802**	127,802	-
Investment in associated company	5	**28,307**	27,141	26,373
Investment securities	6	**61,333**	51,132	70,952
Reinsurance share of outstanding claims		**324,251**	329,975	232,603
Reinsurance share of unearned premium reserve		**325,823**	308,138	283,336
Insurance receivables		**264,267**	225,122	256,387
Prepayment and other receivables		**23,894**	8,676	19,376
Deposits with banks	7	**629,943**	634,943	567,101
Cash and cash equivalents		**72,655**	61,045	71,592
TOTAL ASSETS		**1,862,883**	1,777,930	1,531,183
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
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		**105,792**	139	81,276
Proposed dividends		**-**	50,000	-
Cumulative changes in fair values of securities		**1,222**	-	(632)
		656,685	599,810	530,315
Minority interests		**13,077**	-	-
Total equity		**669,762**	599,810	530,315
Liabilities				
Insurance contract liabilities:				
Unearned premiums		**443,226**	421,302	387,434
Outstanding claims		**437,588**	433,063	336,112
		880,814	854,365	723,546
Reinsurance payable		**163,493**	187,006	160,532
Amounts held under insurance treaties		**105,349**	93,783	75,888
Other payables and accruals		**43,465**	42,966	40,902
Total liabilities		**1,193,121**	1,178,120	1,000,868
TOTAL EQUITY AND LIABILITIES		**1,862,883**	1,777,930	1,531,183

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Senior Managing Director
16 July 2009

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2009 (Unaudited)

	Notes	Three months ended 30 June 2009 AED'000	Three months ended 30 June 2008 AED'000	Six months ended 30 June 2009 AED'000	Six months ended 30 June 2008 AED'000
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium receivable		**326,622**	304,090	**550,868**	500,932
Movement in provision for unearned premium		**(11,111)**	(42,179)	**(21,924)**	(66,521)
Insurance premium revenue		**315,511**	261,911	**528,944**	434,411
Less: **Reinsurers' share of premium**					
Insurance contracts premium receivable		**250,686**	228,903	**395,242**	354,724
Movement in provision for unearned premium		**(10,603)**	(33,238)	**(17,685)**	(50,374)
		240,083	195,665	**377,557**	304,350
Net insurance premium revenue		**75,428**	66,246	**151,387**	130,061
Commission income		**30,175**	33,690	**54,424**	58,403
		105,603	99,936	**205,811**	188,464
UNDERWRITING EXPENSES					
Claims paid		**134,223**	90,407	**280,130**	177,462
Less: re-insurance share		**(97,581)**	(61,292)	**(214,280)**	(126,728)
Net claims		**36,642**	29,115	**65,850**	50,734
Increase in outstanding claims		**6,978**	6,019	**10,249**	9,675
Claims incurred		**43,620**	35,134	**76,099**	60,409
Commission expenses		**16,249**	22,171	**31,817**	38,111
General and administration		**15,804**	13,372	**30,390**	24,771
		75,673	70,677	**138,306**	123,291
NET UNDERWRITING INCOME		**29,930**	29,259	**67,505**	65,173
INVESTMENT INCOME					
Interest income		**9,394**	7,557	**19,080**	14,886
Rental and other income		**8,458**	-	**13,734**	-
Gain on sale of trading securities		**-**	-	**-**	76
Fair value gain (loss) on trading securities		**4,640**	3,850	**2,938**	(195)
Gain on sale of available for sale securities		**1,132**	300	**1,167**	300
		23,624	11,707	**36,919**	15,067
Share of associate's profit		**328**	190	**1,166**	990
PROFIT FOR THE PERIOD		**53,882**	41,156	**105,590**	81,230
Attributable to:					
Equity holders of the parent		**53,944**	41,156	**105,653**	81,230
Minority interest		**(63)**	-	**(63)**	-
		53,882	41,516	**105,590**	81,230
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	3	**17.96**	13.72	**35.20**	27.08

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 (Unaudited)

	Three months ended 30 June		*Six months ended 30 June*	
	2009 AED'000	*2008 AED'000*	***2009 AED'000***	*2008 AED'000*
Profit for the period	**53,882**	41,156	**105,590**	81,230
Other comprehensive income				
Net unrealised gain / (losses) on available for sale investments	**1,222**	(499)	**1,222**	(2,576)
Total comprehensive income for the period	**55,104**	40,657	**106,812**	78,654
Attributable to:				
Equity holders of parent	**55,167**	40,657	**106,875**	78,654
Minority interests	**(63)**	-	**(63)**	-
	55,104	40,657	**106,812**	78,654

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
30 June 2009 (Unaudited)

	Six months ended 30 June	
	2009 AED'000	*2008 AED'000*
OPERATING ACTIVITIES		
Profit for the period	**105,590**	81,230
Adjustments for:		
Depreciation	**680**	532
(Gain) /Loss on sale of office equipment and vehicles	**(65)**	26
Interest income	**(19,080)**	(14,886)
Rental income	**(13,734)**	-
Share of associate's profit	**(1,166)**	(990)
Gain on sale of trading securities	**-**	(76)
Gain on sale of available of trading securities	**(1,167)**	(300)
Changes in fair value of trading securities	**(2,938)**	195
Movement in unearned premium	**4,239**	16,147
Operating profit before changes in operating assets and liabilities	**73,359**	81,878
Receivables arising from insurance and reinsurance contracts	**(39,145)**	(61,347)
Re-insurers' share of outstanding claims	**5,724**	(1,159)
Prepayments and other receivables	**(15,218)**	(14,427)
Outstanding claims	**4,525**	10,834
Reinsurance balances payable	**(11,947)**	74,810
Other payables and accruals	**499**	7,922
Net cash from operating activities	**16,797**	98,511
INVESTING ACTIVITIES		
Purchase of office equipment and vehicles	**(1,394)**	(1,116)
Proceeds from sale of office equipment and vehicles	**127**	117
Interest income	**19,080**	14,886
Bank Deposits	**5,000**	(14,101)
Rental income	**13,734**	-
Purchase of available for sale investments	**(8,266)**	(18,884)
Purchase of trading investments	**-**	(25,537)
Purchase of investments at fair value through profit or loss	**-**	2,002
Sale of trading investments	**-**	613
Sale of available for sale investments	**3,392**	-
Net cash from (used in) investing activities	**31,673**	(42,020)
FINANCING ACTIVITIES		
Dividend paid	**(50,000)**	(40,000)
Minority interest	**13,140**	-
Net cash used in financing activities	**(36,860)**	(40,000)
INCREASE IN BANK BALANCES AND CASH	**11,610**	16,491
Bank balances and cash at 1 January	**61,045**	55,101
BANK BALANCES AND CASH AT 30 JUNE	**72,655**	71,592

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2009 (Unaudited)

	Attributable to shareholders of the parent										
	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*	*Minority interests AED'000*	*Total*
Balance at 1 January 2009	250,000	62,500	73,051	55,880	108,240	139	50,000	-	599,810	-	599,810
Issue of shares	-	-	-	-	-	-	-	-	-	13,140	13,140
Total comprehensive income (expense) for the period	-	-	-	-	-	105,653	-	1,222	106,875	(63)	106,812
Transfers	50,000	-	-	-	(50,000)	-	-	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
At 30 June 2009	**300,000**	**62,500**	**73,051**	**55,880**	**58,240**	**105,792**	**-**	**1,222**	**656,685**	**13,077**	**669,762**
Balance at 1 January 2008	200,000	47,917	58,042	42,324	101,388	46	40,000	1,944	491,661	-	491,661
Total comprehensive income (expense) for the period	-	-	-	-	-	81,230	-	(2,576)	78,654	-	78,654
Transfers	50,000	-	-	-	(50,000)	-	-	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(40,000)	-	(40,000)	-	(40,000)
At 30 June 2008	250,000	47,917	58,042	42,324	(51,388)	81,276	-	(632)	530,315	-	530,315

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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. During April 2009, the Company made investments in a subsidiary company.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group") and the group's share of the results.

The group comprises of the under-mentioned subsidiary company.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
Arab Orient Insurance Company Takaful	General insurance	Egypt	60%

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial information of the Group 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 Group has adopted the following standards effective for the annual periods beginning on as after 1 January 2009.

IASB Standards and interpretations issued and adopted

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 Group, as the segments reported by the Group were consistent with the internal reporting provided to the chief operating decision maker.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. Subsidiary company is a company in which the Group exercises effective control over the operating and financial policies. All significant intercompany balances and transactions have been eliminated on consolidation.

Minority interests represent the portion of the profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated interim statement of financial position, separately from parent shareholders' equity.

2 ACCOUNTING POLICIES (continued)

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 six months ended 30 June 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 Group has not issued any instrument which would have an impact on earnings per share when exercised.

4 INVESTMENT PROPERTY

	30 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 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 Group. 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

	30 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 2008 AED'000*
Cost	**24,351**	24,351	24,351
Add: share of associated company's retained earnings	**3,956**	2,790	2,022
Balance at the end	**28,307**	27,141	26,373

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 above company commenced its commercial operations effective 2 April 2007.

5 INVESTMENT IN ASSOCIATED COMPANY (continued)

The Group's investments in associates are accounted for under the equity method of accounting. These are entities over which the Group 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 Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group'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

	30 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 2008 AED'000*
Investments carried at fair value through profit or loss			
Managed portfolios			
- within UAE	4,046	4,672	18,716
- outside UAE	16,341	13,596	9,566
	20,387	18,268	28,282
Held for trading – Quoted shares (within UAE)	5,263	4,444	12,182
	25,650	22,712	40,464
Available for sale investments			
Debt			
Quoted (within UAE)	10,000	10,000	10,000
Equity			
Quoted (within UAE)	4,220	5,223	9,716
Unquoted (within UAE)	21,463	13,197	10,772
	25,683	28,420	30,488
	61,333	**51,132**	70,952

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 and Egypt.

8 SHARE CAPITAL

	30 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 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 meeting 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 Group 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 six month period to 30 June 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 Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the six month period to 30 June 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 Group has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the six month period to 30 June 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 six month period to 30 June 2009, as this will be based on the results for the year.

13 SEGMENTAL INFORMATION

Primary segment information
For management purposes the Group 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 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 2008 AED'000*
General Insurance			
Underwriting income	**205,811**	376,983	188,464
Underwriting expenses	**(138,306)**	(241,429)	(123,291)
Net underwriting income	**67,505**	135,554	65,173
Investments			
Investment income	**36,919**	12,781	15,067
Share of associate's profit	**1,166**	1,758	990
	38,085	14,539	16,057
Profit for the period	**105,590**	150,093	81,230

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

14 CONTINGENT LIABILITIES

	30 June 2009 AED'000	*Audited 31 December 2008 AED'000*	*30 June 2008 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**5,273**	3,208	3,353

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

Commitments			
Commitment for investments	**35,706**	43,972	45,850
Uncalled capital of subsidiary	**19,710**	-	-
	55,416	43,972	45,850

15 COMPARATIVE INFORMATION

The Group 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 than 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.