Arab Orient Insurance Company (PSC) and its subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012 (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) and its subsidiaries (the "Group") as at 30 June 2012 comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the statements of changes in equity and cash flows 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:
Anthony O'Sullivan
Partner
Registration No. 687

22 July 2012

Dubai, United Arab Emirates

Arab Orient Insurance Company (PSC) and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012 (Unaudited)

	Notes	*30 June 2012 AED'000*	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
ASSETS				
Property and equipment		**122,256**	124,560	4,691
Investment property	4	**-**	-	127,802
Investment in associated company	5	**37,546**	37,881	34,984
Investment securities	6	**627,123**	111,687	51,702
Reinsurance share of outstanding claims		**323,865**	307,360	254,645
Reinsurance share of unearned premium reserve		**415,229**	401,808	380,264
Insurance receivables		**285,956**	204,674	251,756
Prepayment and other receivables		**24,545**	12,650	35,059
Deposits with banks	7	**633,606**	1,124,196	1,014,095
Cash and cash equivalents		**61,478**	58,185	57,507
TOTAL ASSETS		**2,531,604**	2,383,001	2,212,505
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**405,000**	375,000	375,000
Statutory reserve	9	**93,750**	93,750	75,000
Legal reserve	9	**131,325**	131,325	111,115
Exceptional loss reserve	9	**92,635**	92,635	80,055
General reserve	9	**213,592**	243,592	167,132
Retained earnings		**139,425**	752	122,071
Available-for-sale (AFS) reserve	9	**5,387**	(1,952)	(982)
Foreign currency translation reserve	9	**(7,253)**	(3,649)	(2,094)
Proposed dividends		**-**	75,000	-
		1,073,861	1,006,453	927,297
Non-controlling interests		**14,326**	12,876	12,272
Total equity		**1,088,187**	1,019,329	939,569
Liabilities				
Insurance contract liabilities:				
Unearned premiums		**571,959**	544,357	516,080
Outstanding claims		**454,417**	427,643	360,127
Reinsurance payables		**243,993**	198,265	203,474
Amounts held under insurance treaties		**107,764**	105,400	116,174
Other payables and accruals		**65,284**	88,007	77,081
Total liabilities		**1,443,417**	1,363,672	1,272,936
TOTAL EQUITY AND LIABILITIES		**2,531,604**	2,383,001	2,212,505

DRAFT

Senior Managing Director
22 July 2012

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Three months ended 30 June 2012 AED'000	Three months ended 30 June 2011 AED'000	Six months ended 30 June 2012 AED'000	Six months ended 30 June 2011 AED'000
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium		**437,285**	396,695	**748,101**	683,096
Movement in provision for unearned premium		**(15,605)**	(15,352)	**(28,704)**	(35,830)
Insurance premium revenue		**421,680**	381,343	**719,397**	647,266
Less: **Reinsurers' share of premium**					
Insurance contracts premium		**333,014**	311,712	**542,767**	504,426
Movement in provision for unearned premium		**(7,286)**	(13,880)	**(13,965)**	(24,963)
		325,728	297,832	**528,802**	479,463
Net insurance premium revenue		**95,952**	83,511	**190,595**	167,803
Commission income		**36,013**	31,280	**69,264**	60,641
TOTAL UNDERWRITING INCOME		**131,965**	114,791	**259,859**	228,444
UNDERWRITING EXPENSES					
Claims paid		**151,363**	131,434	**323,863**	229,331
Less: re-insurance share		**(117,352)**	(93,291)	**(252,529)**	(163,880)
Net claims		**34,011**	38,143	**71,334**	65,451
Increase (decrease) in outstanding claims		**3,413**	(9,249)	**10,333**	(10,376)
Claims incurred		**37,424**	28,894	**81,667**	55,075
Commission expenses		**22,213**	23,107	**41,226**	41,382
General and administration expenses		**25,505**	21,698	**51,059**	43,300
Total underwriting expenses		**85,142**	73,699	**173,952**	139,757
NET UNDERWRITING INCOME		**46,823**	41,092	**85,907**	88,687
INVESTMENT INCOME					
Interest income		**8,539**	11,503	**16,342**	21,581
Dividend income		**290**	-	**34,611**	-
Rental and other income		**1,778**	5,464	**2,299**	11,146
Fair value (loss) gain on investments at fair value through profit or loss		**(357)**	(304)	**214**	74
		10,250	16,663	**53,466**	32,801
Share of associate's profit		**1,381**	1,189	**750**	461
PROFIT FOR THE PERIOD		**58,454**	58,944	**140,123**	121,949
Attributable to:					
Owner of the parent		**57,754**	59,035	**138,673**	121,557
Non-controlling interests		**700**	(91)	**1,450**	392
		58,454	58,944	**140,123**	121,949
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	3	**14.26**	14.57	**34.24**	30.01

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Three months ended 30 June		*Six months ended 30 June*	
	2012 AED'000	*2011 AED'000*	*2012 AED'000*	*2011 AED'000*
Profit for the period	**58,454**	58,944	**140,123**	121,949
Other comprehensive income				
Exchange differences on translation of foreign operations	**(1,032)**	124	**(3,604)**	(902)
Net unrealised gain / (losses) on available-for-sale investments	**(8,897)**	553	**7,339**	154
Total comprehensive income for the period	**48,525**	59,621	**143,858**	121,201
Attributable to:				
Owner of the parent	**47,825**	59,712	**142,408**	120,809
Non-controlling interests	**700**	(91)	**1,450**	392
	48,525	59,621	**143,858**	121,201

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 AED'000	*2011 AED'000*
OPERATING ACTIVITIES		
Profit for the period	**140,123**	121,949
Adjustments for:		
Depreciation	**2,935**	873
Gain on sale of property and equipment	**(102)**	(56)
Interest income	**(16,342)**	(21,581)
Rental income	**(2,174)**	(11,146)
Share of associate's profit	**(750)**	(461)
Unrealised gain on investments at fair value through profit or loss	**(214)**	(74)
Operating profit before changes in operating assets and liabilities	**123,476**	89,504
Insurance receivables	**(81,282)**	(18,158)
Insurance contract liabilities	**54,376**	54,458
Reinsurance payables	**48,092**	13,774
Reinsurance assets	**(29,926)**	(54,317)
Prepayments and other receivables	**(11,895)**	(20,017)
Other payables and accruals	**(22,723)**	(6,641)
Net cash from operating activities	**80,118**	58,603
INVESTING ACTIVITIES		
Purchase of office equipment and vehicles	**(664)**	(216)
Proceeds from sale of office equipment and vehicles	**135**	224
Interest income	**16,342**	21,581
Deposits with banks	**490,590**	(16,222)
Rental income	**2,174**	11,146
Purchase of available-for-sale investments	**(502,611)**	(854)
Purchase of held to maturity investments	**(9,892)**	(824)
Sale of available-for-sale investments	**4,620**	-
Net cash from investing activities	**694**	14,835
FINANCING ACTIVITIES		
Dividends paid	**(75,000)**	(60,000)
Dividends received	**1,085**	-
Net cash used in financing activities	**(73,915)**	(60,000)
INCREASE IN CASH AND CASH EQUIVALENTS	**6,897**	13,438
Cash and cash equivalents at 1 January	**58,185**	44,971
Movement in foreign currency translation reserve	**(3,604)**	(902)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**61,478**	57,507

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
Balance at 1 January 2012	375,000	93,750	131,325	92,635	243,592	752	(1,952)	(3,649)	75,000	1,006,453	12,876	1,019,329
Profit for the period	-	-	-	-	-	138,673	-	-	-	138,673	1,450	140,123
Other comprehensive income	-	-	-	-	-	-	7,339	(3,604)	-	3,735	-	3,735
Total comprehensive income	-	-	-	-	-	138,673	7,339	(3,604)	-	142,408	1,450	143,858
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Capitalisation of general reserve	30,000	-	-	-	(30,000)	-	-	-	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
At 30 June 2012 (Unaudited)	**405,000**	**93,750**	**131,325**	**92,635**	**213,592**	**139,425**	**5,387**	**(7,253)**	**-**	**1,073,861**	**14,326**	**1,088,187**

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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*	*Available-for-sale (AFS) reserve AED'000*	*Foreign Currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
Balance at 1 January 2011	300,000	75,000	111,115	80,055	242,132	514	60,000	(1,136)	(1,192)	866,488	11,880	878,368
Profit for the period	-	-	-	-	-	121,557	-	-	-	121,557	392	121,949
Other comprehensive income	-	-	-	-	-	-	-	154	(902)	(748)	-	(748)
Total comprehensive income	-	-	-	-	-	121,557	-	154	(902)	120,809	392	121,201
Transfers	75,000	-	-	-	(75,000)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(60,000)	-	-	(60,000)	-	(60,000)
At 30 June 2011 (Unaudited)	375,000	75,000	111,115	80,055	167,132	122,071	-	(982)	(2,094)	927,297	12,272	939,569

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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 and medical (collectively known as general insurance) and group life and individual life classes (collectively referred as life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates.

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

The Group comprises of the parent and the under-mentioned subsidiary companies.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
Arab Orient Takaful Company	General insurance	Egypt	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%

The Group operates and issues insurance policies in the United Arab Emirates, Egypt, Sri Lanka and Oman.

2 ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

Interim reporting
The interim condensed consolidated 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 Group's annual financial statements as at 31 December 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

New standards, Interpretations and amendments thereof, adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the new standards and interpretations as of 1 January 2012, noted below:

IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)
IFRS 7 – Disclosures – Transfers of financial assets (Amendment)
IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)

The Group has not early adopted any other standards, interpretation amendment that has been issued but is not yet effective.

The adoption of these standards and interpretations did not have an impact on the financial position or performance of the Group during the period.

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 4,050,000 shares.

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 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
At cost (within UAE)	-	127,802	127,802
Disposals	-	(127,802)	-
	-	-	127,802

5 INVESTMENT IN ASSOCIATED COMPANY

	30 June 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
Shares at cost	**24,351**	24,351	24,351
The Group's share of post acquisition reserves:			
At 1 January	**13,530**	10,172	10,172
Share of results for the period	**750**	3,358	461
Dividend received	**(1,085)**	-	-
Balance at period end	**13,195**	13,530	10,633
Investment in net equity at period end	**37,546**	37,881	34,984

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 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 statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated statement of income 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 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
Investments carried at fair value through profit or loss			
Managed portfolios			
- outside UAE	**1,796**	1,932	1,894
	1,796	1,932	1,894
Held for trading – Quoted shares (within UAE)	**6,850**	6,500	7,061
	8,646	8,432	8,955
Held to maturity			
Unquoted - outside UAE	**54,553**	44,661	4,012
	54,553	44,661	4,012
Available for sale investments			
Debt			
Quoted (within UAE)	**8,920**	8,450	8,697
Unquoted - outside UAE	**12,317**	16,937	-
	21,237	25,387	8,697
Equity			
Quoted (within UAE)	**507,117**	2,596	3,319
Unquoted (within UAE)	**35,570**	30,611	26,719
	542,687	33,207	30,038
	563,924	58,594	38,735
TOTAL	**627,123**	111,687	51,702

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

Investments carried at fair value through value profit or loss
After initial recognition, all investments carried at fair value through profit or loss are remeasured at fair value. All related realised and unrealised gains or losses are recognised in the consolidated statement of income.

Held to maturity
Securities which have fixed or determinable payments which are intended to be held to maturity are carried at amortised cost using effective interest rate method, less provision for impairment in value.

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 recognised in the consolidated statement of comprehensive income 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 the consolidated statement of income is included in the consolidated statement of income 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

Deposits with banks include the following:

		30 June 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
a)	Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007	**10,000**	10,000	10,000
b)	Amounts under lien with Capital Market Authority Sultanate of Oman towards license of Muscat branch	**11,708**	11,708	14,100
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Fixed term deposits maturing after three months	**600,688**	550,506	989,517
d)	Fixed term deposits	**10,732**	551,504	-
		633,606	1,124,196	1,014,095

8 SHARE CAPITAL

	30 June 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
Issued and fully paid - shares of AED 100 each	**405,000**	375,000	375,000

The shareholders approved an increase in the share capital by AED 30 million by capitalisation of general reserve in the extraordinary meeting held on 15 March 2012. The legal formalities in respect of the increase in the share capital were completed during the period.

9 RESERVES

Nature and purpose of reserves

- **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 2012, 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.

- **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 2012, 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.

9 RESERVES (continued)

- **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 2012, as this will be based on the results for the year.

- **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.

- **AVAILABLE-FOR-SALE (AFS) RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

10 SEGMENTAL INFORMATION

Identification of reportable segments
For management purposes the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Company's own account.

Operating segment information is presented below:

	Six months ended 30 June					
	General insurance		*Life insurance*		*Total*	
	30 June 2012 AED'000	*30 June 2011 AED'000*	***30 June 2012 AED'000***	*30 June 2011 AED'000*	***30 June 2012 AED'000***	*30 June 2011 AED'000*
Total underwriting income	**239,500**	209,219	**20,359**	19,225	**259,859**	228,444
Net underwriting income	**80,152**	80,713	**5,755**	7,974	**85,907**	88,687
Total investment income					**53,466**	32,801
Share of associates' profit					**750**	461
Profit for the period					**140,123**	121,949

10 SEGMENTAL INFORMATION (continued)

Geographic information

	30 June 2012 AED'000	*30 June 2011 AED'000*
United Arab Emirates	**236,122**	214,410
Egypt and others	**23,737**	14,034
TOTAL UNDERWRITING INCOME	**259,859**	228,444

Non-current assets

	30 June 2012 AED'000	*30 June 2011 AED'000*
United Arab Emirates	**120,247**	2,824
Egypt and others	**2,009**	1,867
	122,256	4,691

Non-current assets for this purpose consist of property and equipment and investment properties.

11 CONTINGENT LIABILITIES

	30 June 2012 AED'000	*Audited 31 December 2011 AED'000*	*30 June 2011 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**2,890**	3,189	3,653

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

Commitments			
Commitment for investments	**24,908**	29,867	32,654
Uncalled capital of subsidiary company	**18,261**	18,201	18,519
	43,169	48,068	51,173