

**AL-SAGR NATIONAL INSURANCE COMPANY
(PUBLIC SHAREHOLDING COMPANY) AND
ITS SUBSIDIARY
DUBAI - UNITED ARAB EMIRATES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2008**

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates**

**Interim Condensed Consolidated Financial Information
and Review Report
For the Nine-Month Period Ended September 30, 2008**

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Deloitte & Touche (M.E.)
City Tower 2, Suite 1001
Sheikh Zayed Road
P.O. Box 4254, Dubai
United Arab Emirates
Tel: +971(4) 331 3211
Fax: +971(4) 331 4178
www.deloitte.com

Ref 08483CFS08-Sept

Report on Review of Interim Condensed Consolidated Financial Information

**The Board of Directors
Al-Sagr National Insurance Company
(Public Shareholding Company)
Dubai- United Arab Emirates**

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of **Al-Sagr National Insurance Company (a Public Shareholding Company) - Dubai, United Arab Emirates and its subsidiary** (collectively "the Group") as of September 30, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flow statement for the nine month period then ended, and the explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting ("IAS 34")'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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.

Emphasis of matter

We draw attention to Notes 1(b) and 15 with respect to the discontinued operations of the Company's subsidiary Al Sagr Saudi Insurance Company. The subsidiary company's operations were discontinued with effect from January 1, 2008, as resolved by the respective Board of Directors of the two companies. Consequently, the result of operations of Al Sagr Saudi Insurance Company for the period January 1, 2008 through September 30, 2008 is not included in these financial information. The assets and liabilities of Al Sagr Saudi Insurance Company will be transferred to the newly formed Company - Al-Sagr Company for Co-operative Insurance upon completion of the valuation procedures instructed by the Saudi Arabian Monetary Agency ("SAMA").

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Independent Report on Review of Interim Condensed Consolidated Financial Information of
Al-Sagr National Insurance Company (a Public Shareholding Company) – Dubai, United Arab
Emirates and its subsidiary – continued (page 2 of 2)

Conclusion

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

Deloitte & Touche

Saba Y. Sindaha
Partner
(Registration No. 410)

Dubai
October 30, 2008

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates**

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**Interim Condensed Consolidated Balance Sheet
At September 30, 2008
(In Arab Emirates Dirhams)**

	Note	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
ASSETS			
Non-current assets			
Property and equipment		2,449,934	2,263,145
Investment property under construction	4	40,753,720	29,144,519
Investment in Joint Venture	5	115,243,591	-
Investment in associates	6	127,330,580	54,862,034
Investment in subsidiary - discontinued operation	13	18,445,607	-
Held-to-maturity investments	7	4,500,000	26,924,816
Available-for-sale investments	7	<u>1,695,000</u>	<u>3,100,000</u>
Total non-current assets		<u>310,418,432</u>	<u>116,294,514</u>
Current assets			
Reinsurance contract assets	8	236,947,438	394,963,592
Insurance and other receivables		301,480,265	229,066,625
Investments held for trading	7	266,044,707	183,776,329
Bank balances and cash	9	<u>181,379,380</u>	<u>241,381,955</u>
Total current assets		<u>985,851,790</u>	<u>1,049,188,501</u>
Total Assets		<u>1,296,270,222</u>	<u>1,165,483,015</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates

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Interim Condensed Consolidated Balance Sheet (continued)
At September 30, 2008
(In Arab Emirates Dirhams)

	Note	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
EQUITY AND LIABILITIES			
Capital and reserves	10	200,000,000	100,000,000
Share capital		37,099,997	37,099,907
Statutory reserve		150,000,000	100,000,000
General reserve		1,180,000	2,585,000
Investments revaluation reserve		173,203,904	114,246,333
Retained earnings		561,483,811	153,931,240
Equity attributable to equity holders of the parent		-	18,445,607
Minority interest		561,483,811	172,376,847
Total Equity			
Non-current liabilities		11,760,000	11,760,000
Due to related parties	11	70,006,365	-
Bank borrowings		7,503,385	7,924,083
Provision for employees' end of service indemnity		89,269,750	19,694,083
Total non-current liabilities			
Current liabilities	8	398,839,943	550,342,456
Insurance contract liabilities		173,172,735	114,271,647
Insurance and other payables	11	74,303,983	8,807,982
Bank borrowings		645,516,661	673,422,083
Total current liabilities			
Total Liabilities			
Total Equity and Liabilities			

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 3 to 20 were approved by the Board of Directors and authorized for issue on October 30, 2008.

Chairman

Vice Chairman

Managing Director

Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates

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Interim Condensed Consolidated Statement of Income
For the Nine-Month Period Ended September 30, 2008
(In Arab Emirates Dirhams)

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2008	2007	2008	2007
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Gross insurance premium revenue	368,677,289	318,856,414	120,207,540	101,674,319
Less: Insurance premium ceded to reinsurers	(182,915,882)	(156,718,834)	(59,292,634)	(40,685,257)
Net retained premium revenue	185,761,407	162,137,580	60,914,906	60,989,062
Net change in unearned premium	(35,687,378)	(17,837,359)	(10,187,518)	(331,918)
Net insurance premium revenue	150,074,029	144,300,221	50,727,388	60,657,144
Gross claims settled	(337,854,898)	(237,361,669)	(132,574,011)	(88,231,628)
Insurance claims recovered from reinsurers	233,514,521	127,063,426	95,045,358	45,902,018
Net claims settled	(104,340,377)	(110,298,243)	(37,528,653)	(42,329,610)
Net change in outstanding claims	(14,983,234)	(15,169,703)	(2,143,885)	(2,242,857)
Net claims incurred	(119,323,611)	(125,467,946)	(39,672,538)	(44,572,467)
Gross commission earned and documentation fees	71,120,364	57,808,595	24,666,414	15,606,816
Less: Commission incurred	(36,309,269)	(22,661,562)	(13,382,630)	(6,299,501)
Net commission and documentation fees earned	34,811,095	35,147,033	11,283,784	9,307,315
Underwriting profit	65,561,513	53,979,308	22,338,634	25,391,992
General and administrative expenses relating to underwriting activities	(17,723,464)	(15,435,378)	(5,737,180)	(4,353,490)
Net underwriting profit	47,838,049	38,543,930	16,601,454	21,038,502
Investment revenue/(loss)	21,076,961	37,839,902	(24,119,745)	17,286,636
Revenue/(loss) from joint venture	31,079	(6,331,759)	31,079	(585,000)
Finance costs	(2,337,892)	(1,657,727)	(750,569)	(486,927)
Other (expenses)/income	(2,469,760)	(2,120,464)	(981,501)	(1,018,960)
Unallocated general and administrative expenses	(4,430,866)	(3,858,845)	(1,434,295)	(2,119,499)
Profit/ (loss) for the period	59,707,571	62,415,037	(10,653,577)	34,114,752
Attributable to:				
Equity holders of the parent	59,707,571	60,070,970	(10,653,577)	32,482,326
Minority interest	-	2,344,067	-	1,632,426
	59,707,571	62,415,037	(10,653,577)	34,114,752
Basic earnings per share (Note 12)	0.30	0.33	(0.05)	0.18

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates**

**Interim Condensed Consolidated Statement of Changes in Equity
For the Nine-Month Period Ended September 30, 2008
(In Arab Emirates Dirhams)**

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Investment revaluation reserve</u>	<u>Retained earnings</u>	<u>Attributable to equity holders of parent</u>	<u>Minority interest</u>	<u>Total</u>
Balance at December 31, 2006 (audited)	100,000,000	25,720,738	100,000,000	-	114,965,470	340,686,208	17,254,338	357,940,546
Profit for the period	-	-	-	-	60,070,970	60,070,970	2,344,067	62,415,037
Dividends	-	-	-	-	-	-	(3,920,000)	(3,920,000)
Board of Directors' remuneration paid	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Profit on available-for-sale investments recognized directly in equity	-	-	-	1,060,000	-	1,060,000	-	1,060,000
Balance at September 30, 2007 (un-audited)	100,000,000	25,720,738	100,000,000	1,060,000	174,286,440	401,067,178	15,678,405	416,745,583
Balance at December 31, 2007 (audited)	100,000,000	37,099,907	100,000,000	2,585,000	214,246,333	453,931,240	18,445,607	472,376,847
Issue of bonus shares (Note 10)	50,000,000	-	-	-	(50,000,000)	-	-	-
Rights issue of shares (Note 10)	50,000,000	-	-	-	-	50,000,000	-	50,000,000
Profit for the period	-	-	-	-	59,707,571	59,707,571	-	59,707,571
Minority interest on discontinued operations	-	-	-	-	-	-	(18,445,607)	(18,445,607)
Board of Directors' remuneration paid	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Loss on available-for-sale investments recognized directly in equity	-	-	-	(1,405,000)	-	(1,405,000)	-	(1,405,000)
Transfer to general reserve	-	-	50,000,000	-	(50,000,000)	-	-	-
Balance at September 30, 2008 (Un-audited)	200,000,000	37,099,907	150,000,000	1,180,000	173,203,904	561,483,811	-	561,483,811

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates**

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**Interim Condensed Consolidated Cash Flow Statement
For the Nine-Month Period Ended September 30, 2008
(In Arab Emirates Dirhams)**

	Nine-month period ended September 30,	
	2008	2007
	(Un-audited)	(Un-audited)
Cash flows from operating activities		
Profit for the period	59,707,571	62,415,037
Adjustments for:		
Depreciation of property and equipment	218,431	329,470
Allowance for doubtful debts	1,500,000	750,000
Investment revenue	(41,744,663)	(18,820,412)
Decrease/(increase) in reinsurance contract assets	111,114,968	(290,749,388)
Increase/(decrease) in insurance contract liabilities	(60,444,358)	323,756,450
Fair value adjustments - securities	20,635,614	(12,687,731)
Provision for employees' end of service indemnity	2,121,822	799,684
Finance costs	2,337,892	1,657,727
Operating cash flows before movements in working capital	95,447,327	67,450,837
Decrease/(increase) in fixed deposits with banks	23,742,739	(38,509,336)
Increase in insurance and other receivables	(126,809,355)	(106,311,781)
Increase in insurance and other payables	67,680,373	42,429,261
Cash generated from/(used in) operations	60,061,084	(34,941,019)
Interest paid	(2,337,892)	(1,657,727)
Employees' end of service indemnity paid	(145,674)	(19,660)
Net cash from/(used in) operating activities	57,577,518	(36,618,406)
Cash flows from investing activities		
Proceeds from sale of investment property	-	57,007,218
Purchase of investment property under construction	(11,609,201)	(17,912,664)
Proceeds from sale of investments in securities	244,015,471	150,398,696
Purchase of investments in securities	(316,965,119)	(87,760,695)
Proceeds from sale of investment in joint venture	139,259	30,752,128
Addition of investment in joint venture	(115,351,771)	(8,423,808)
Purchase of investments in associates	(76,370,580)	(34,215,067)
Purchase of property and equipment	(1,222,452)	(1,385,065)
Interest received	6,454,760	5,080,367
Dividends received	5,189,296	5,105,795
Proceeds from associate company	1,960,000	-
Rent received net of expenses	-	514,755
Net cash (used in)/from investing activities	(263,760,337)	99,161,660
Cash flows from financing activities		
Issue of share capital	50,000,000	-
Directors' remuneration paid	(750,000)	(750,000)
Increase/(decrease) in bank borrowings	135,702,366	(29,248,319)
Dividend paid	-	(3,920,000)
Net cash from/(used in) financing activities	184,952,366	(33,918,319)
Net (decrease)/increase in cash and cash equivalents	(21,230,453)	28,624,935
Cash and cash equivalents, at the beginning of the period	38,798,948	18,256,765
Adjustment for the cash and cash equivalent and cash equivalent of discontinued operation included in the beginning balance	(4,188,133)	-
Cash and cash equivalents, at the end of the period (Note 14)	13,380,362	46,881,700

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
Dubai - United Arab Emirates**

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**Notes to the Interim Condensed Consolidated Financial Information
For the Nine-Month Period Ended September 30, 2008**

1. General information

- a) Al-Sagr National Insurance Company - Dubai (the "Company") was incorporated on December 25, 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, UAE.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi and Ajman in the United Arab Emirates.

- b) During 2004, the shareholders of the Company had submitted an application for the insurance license with Saudi Arabian Monetary Agency ("SAMA") under a new company namely "Al Sagr Company for Co-operative Insurance". The new company obtained its license from the regulatory authorities in the Kingdom of Saudi Arabia during 2007 and has been registered under commercial registration number 1010243765 dated Muharram 26, 1429 (February 4, 2008).

2. Significant accounting policies

Basis of preparation of the financial information

This interim condensed consolidated financial information is prepared in accordance with the International Accounting Standard No. 34 – *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The interim condensed consolidated financial information is prepared in accordance with the historical cost basis, except for the measurement at fair value of investment property and certain financial instruments.

The consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated. The interim financial information of the subsidiary company expressed in Saudi Riyals were translated for consolidation purposes to Arab Emirates Dirhams at the exchange rates prevailing at period end, as parity exchange rates are fixed.

**Al-Sagr National Insurance Company (Public Shareholding Company)
and its Subsidiary
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**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008**

2. Significant accounting policies (continued)

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results of operations of the joint venture and its net assets are determined using the equity method permitted by the alternative method allowed under IAS 31.

This interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2007. In addition, results for the nine-month period ended September 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

(a) Estimates

The preparation of interim condensed consolidated financial information require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2007.

(b) Management of insurance and financial risk

The Group's insurance and financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended December 31, 2007.

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Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008

3. Basis of consolidation

The interim condensed consolidated financial information incorporate the interim financial information of the Company and the entity controlled by the Company (its subsidiary) (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the period are included in the interim condensed consolidated statement of income from the effective date of acquisition or up to effective date of disposal, as appropriate.

Where necessary, adjustments are made to the interim financial information of subsidiary to bring the accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. Investment property under construction

	<u>Building</u> AED	<u>Land</u> AED	<u>Total</u> AED
Fair value at December 31, 2007 (audited)	29,144,519	-	29,144,519
Additions during the period	<u>11,609,201</u>	<u>-</u>	<u>11,609,201</u>
Balance at September 30, 2008 (Un-audited)	<u><u>40,753,720</u></u>	<u><u>-</u></u>	<u><u>40,753,720</u></u>

Investment property under construction comprises of investment in buildings under construction which on completion will be held for sale. These are initially stated at cost comprising purchase price and any directly attributable expenditure. All investment properties are situated in UAE.

**Al-Sagr National Insurance Company (Public Shareholding Company)
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**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008**

5. Investments in joint venture

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
GGICO Diamond Fund 1	3,563,820	-
Investment in joint venture with Gulf General Investment Company (GGICO)	<u>111,679,771</u>	<u>-</u>
	<u>115,243,591</u>	<u>-</u>

The Company has established a joint venture with Gulf General Investment Company (GGICO) on 3 projects whose details are as follows:

- (i) 10% ownership share in Meydan Tower, a property located in Dubai. The Company has contributed AED 51,880,000 as at September 30, 2008.
- (ii) 30% ownership share in the purchase of 4 plots of land at Emirates Industrial City. The Company has contributed AED 18,522,360 as at September 30, 2008.
- (iii) 50% ownership share in the purchase of a plot of land in Al Harsha. The Company has contributed AED 41,277,411 as at September 30, 2008.

6. Investments in associates

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
Union Insurance Co.	76,370,580	-
Al Sagr Company for Co-operative Insurance (SCCI), Kingdom of Saudi Arabia	50,960,000	52,920,000
Najm Project for Motor Insurance Development, Kingdom of Saudi Arabia	<u>-</u>	<u>1,942,034</u>
	<u>127,330,580</u>	<u>54,862,034</u>

Investments in Union Insurance Co. represents 13.3% participation in the share capital of the Company. Al Sagr National Insurance Company (P.S.C.) has concluded a technical management agreement of the Company under which it will manage the insurance operation of the Company for 10 years effective from March 1, 2008.

**Al-Sagr National Insurance Company (Public Shareholding Company)
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**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008**

6. Investments in associates (continued)

Investment in other associates represents payments made against the share capital of Al Sagr Company for Co-operative Insurance in the Kingdom of Saudi Arabia, which is under formation. The investment in Al Sagr Company for Co-operative Insurance (SCCI) carrying amount as of September 30, 2008 did not include its share in the results of operation of Al Sagr Company for Co-operative Insurance (SCCI) for the nine months period ended September 30, 2008 since the Company is under formation and its interim accounts have not been issued.

7. Investments in securities

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
Held-for-trading investments (within U.A.E)	266,044,707	183,776,329
Available-for-sale investments (within U.A.E)	1,695,000	3,100,000
Held-to-maturity investments (within U.A.E)	<u>4,500,000</u>	<u>26,924,816</u>
	<u>272,239,707</u>	<u>213,801,145</u>

Following are the movement of investments in securities during the period/year:

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
a) Investments held for trading:		
Fair value, at the beginning of the period/year	183,776,329	214,644,509
Net additions /(disposals) during the period/year	102,903,992	(65,374,905)
(Decrease)/increase in fair value during the period/year	<u>(20,635,614)</u>	<u>34,506,725</u>
Fair value, at the end of the period/year	<u>266,044,707</u>	<u>183,776,329</u>
b) Available-for-sale investments :		
Fair value, at the beginning of the period/year	3,100,000	515,000
(Decrease)/increase in fair value	<u>(1,405,000)</u>	<u>2,585,000</u>
Fair value, at the end of the period/year	<u>1,695,000</u>	<u>3,100,000</u>

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Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008

7. Investments in securities (continued)

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
c) Held-to-maturity investments:		
Cost at the beginning of the period/year	26,924,816	19,544,816
Less: Investments of discontinued subsidiary	(22,540,000)	-
Net additions during the period/year	<u>115,184</u>	<u>7,380,000</u>
Cost at the end of the period/year	<u><u>4,500,000</u></u>	<u><u>26,924,816</u></u>

8. Insurance contract liabilities and re-insurance contract assets

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	184,670,403	366,359,570
Claims incurred but not reported	5,200,000	5,890,900
Unearned premiums	<u>208,969,540</u>	<u>178,091,986</u>
Total insurance contract liabilities (gross)	<u><u>398,839,943</u></u>	<u><u>550,342,456</u></u>
Recoverable from reinsurers		
Claims reported unsettled	135,444,247	315,584,585
Unearned premiums	<u>101,503,191</u>	<u>79,379,007</u>
Total reinsurers' share of insurance liabilities	<u><u>236,947,438</u></u>	<u><u>394,963,592</u></u>
Net		
Claims reported unsettled	49,226,156	50,774,985
Claims incurred but not reported	5,200,000	5,890,900
Unearned premiums	<u>107,466,349</u>	<u>98,712,979</u>
	<u><u>161,892,505</u></u>	<u><u>155,378,864</u></u>

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Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008

9. Bank balances and cash

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
Cash on hand	22,000	61,200
Bank balances:		
Current accounts	4,530,486	16,644,614
Fixed deposits	<u>176,826,894</u>	<u>224,676,141</u>
	<u>181,379,380</u>	<u>241,381,955</u>

Fixed deposits with banks as at September 30, 2008 include AED 10,000,000 (December 31, 2007: AED 7,500,000) deposited in the name of the Company to the order of the Minister of Economy of the United Arab Emirates as required by the Federal Law Number (9) of 1984, as amended, relating to Insurance Companies and Agents.

Fixed deposits with banks as at September 30, 2008 amounting to AED 167,999,018 are under lien (December 31, 2007: AED 65,920,722) against the bank facilities availed by the Company.

All fixed deposits with banks mature within different periods not exceeding one year from the balance sheet date.

10. Share capital

Share capital as at September 30, 2008 consists of 200,000,000 (December 31, 2007 - 100,000,000) issued and fully paid ordinary shares of AED 1 each amounted to AED 200 million (December 31, 2007 - AED 100 million). During the nine-month period ended September 30, 2008, the Company increased its share capital by AED 100 million by issuing 50,000,000 bonus shares and 50,000,000 rights shares at a face value of AED 1 each. There was no movement in the share capital of the Company in the prior financial year.

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11. Bank borrowings

	Current		Non-current	
	September 30,	December 31,	September 30,	December 31,
	2008	2007	2008	2007
	AED	AED	AED	AED
<i>Secured – at amortized cost</i>				
Bank overdrafts (i)	68,139,768	8,807,982	-	-
Bank loan (ii)	<u>6,364,215</u>	-	<u>70,006,365</u>	-
	<u>74,503,983</u>	<u>8,807,982</u>	<u>70,006,365</u>	<u>-</u>

- i) The Company has an overdraft facility agreement of up to AED 125 million with Invest Bank PSC, secured by a lien on fixed deposits up to AED 75 million and held-for-trading investments up to AED 50 million. The interest rate is computed at 4.20% per annum.
- ii) A bank term loan amounting to AED 76,370,580 was obtained from National Bank of Umm Al Qaiwain (PSC) during the year and is payable in 12 quarterly installments of AED 6,364,215 each, plus interest with a 1 year moratorium period starting from the date of first drawdown made on July 3, 2008. Interest is payable at a rate of 1.875% over 3 month EBOR. The loan is secured by:
- Hypothecation over fixed deposits up to AED 52 million.
 - Pledge of 38,185,290 shares of Union Insurance Company held by the Company.

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**Notes to the Interim Condensed Consolidated Financial Information (continued)
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12. Basic earnings per share

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2008 (Un-audited) AED	2007 (Un-audited) (Restated) AED	2008 (Un-audited) AED	2007 (Un-audited) (Restated) AED
Profit/(loss) for the period	<u>59,707,571</u>	<u>60,070,970</u>	<u>(10,653,577)</u>	<u>32,482,326</u>
Total number of shares as at September 30, including bonus and rights issue	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>
Weighted average number of shares	<u>196,741,758</u>	<u>183,000,000</u>	<u>196,741,758</u>	<u>183,000,000</u>
Basic earnings per share	<u>0.30</u>	<u>0.33</u>	<u>(0.05)</u>	<u>0.18</u>

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding as of the balance sheet date.

The weighted average number of shares as of September 30, 2008 and 2007 has been adjusted to reflect the bonus shares issued during 2008 (Note 10).

13. Related party transactions

At the balance sheet date, amounts due from/to related parties are included in the following accounts:

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Un-audited) AED
Due from policy holders	2,315,236	874,354
Due from shareholders	3,257,253	3,228,407
Due to shareholders	11,760,000	11,760,000
Gross outstanding claims	<u>15,435,198</u>	<u>181,455,064</u>

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13. Related party transactions (continued)

Transactions:

During the period, the Company entered into the following transactions with related parties:

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2008	2007	2008	2007
	(Un-audited) AED	(Un-audited) AED	(Un-audited) AED	(Un-audited) AED
Gross premium	13,714,424	11,466,749	3,199,710	3,235,894
Gross claims paid	127,231,595	9,324,005	46,009,283	344,971
Sale of investment in joint venture	-	15,393,867	-	-

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

Compensation of key management personnel

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2008	2007	2008	2007
	(Un-audited) AED	(Un-audited) AED	(Un-audited) AED	(Un-audited) AED
Salaries and benefits	5,303,772	714,870	1,832,376	186,150

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Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Nine-Month Period Ended September 30, 2008

14. Cash and cash equivalents

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
	(Un-audited)	(Un-audited)
	AED	AED
Bank balances and cash	181,379,380	144,322,262
Long term and fixed deposits under lien	(167,999,018)	(97,440,562)
	<u>13,380,362</u>	<u>46,881,700</u>

15. Discontinued operations

Discontinued operations of the Al Sagr Saudi Insurance Company

The operations of the Company's subsidiary Al Sagr Saudi Insurance Company were discontinued with effect from January 1, 2008 as resolved by the respective Board of Directors of the two companies. Consequently, the result of operations of Al Sagr Saudi Insurance Company for the period January 1, 2008 through September 30, 2008 is not included in these financial statements. The assets and liabilities of the Al Sagr Saudi Insurance Company will be transferred to the newly formed Company- Al-Sagr Company for Co-operative Insurance upon completion of the valuation procedures instructed by the Saudi Arabian Monetary Agency ("SAMA").

The transfer of net assets from Al Sagr Saudi Insurance Company to the new company and the payment process has not yet been announced by the SAMA. Al Sagr Saudi Insurance Company will transfer all the assets and liabilities to Al-Sagr Company for Co-operative Insurance, once the valuation of the Company has been approved by the SAMA valuation committee. It is most probable that the valuation process will be completed during 2008 and the Company will transfer its assets and liabilities after that date.

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**Notes to the Interim Condensed Consolidated Financial Information (continued)
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15. Discontinued operations (continued)

Discontinued operations of the Al Sagr Saudi Insurance Company (continued)

The following are the book values of net assets, which are included in the condensed consolidated balance sheet as of December 31, 2007.

At September 30, 3008, the book values of net assets attributable to the Company are AED 18,445,607 and the share of minority interest in respect of the discontinued operations of the subsidiary has extinguished.

	December 31, 2007 (audited) AED
Property and equipment	817,182
Investment in associate	1,942,034
Held-to-maturity investments	22,540,000
Reinsurance contract assets	46,901,186
Insurance and other receivables	52,895,715
Bank balances and cash	15,029,383
Provision for employees' end of service indemnity	(2,396,846)
Insurance contract liabilities	(91,058,155)
Insurance and other payables	(9,779,285)
Net assets	<u>36,891,214</u>
Attributable to:	
Equity holders of the parent	18,445,607
Minority interest	<u>18,445,607</u>
Net assets	<u>36,891,214</u>

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Notes to the Interim Condensed Consolidated Financial Information (continued)
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15. Discontinued operations (continued)

Discontinued operations of the Al Sagr Saudi Insurance Company (continued)

Key operational results of the discontinued subsidiary included in the condensed consolidated statement of income is as follows:

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2008	2007	2008	2007
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net insurance premium revenue	-	20,726,949	-	10,533,085
Net claims incurred	-	(15,892,031)	-	(7,849,519)
Net commission earned and documentation fees	-	1,963,545	-	584,900
Underwriting profit	-	3,697,790	-	104,793
Profit for the period	-	1,423,283	-	27,530

16. Contingent liabilities

	September 30, 2008 (Un-audited) AED	December 31, 2007 (Audited) AED
Letters of guarantees	<u>18,796,702</u>	<u>12,228,837</u>

17. Comparative amounts

Certain amounts for the prior period were reclassified to conform to current period presentation. Moreover, previous period figures include the assets, liabilities and operational results of its discontinued subsidiary and was not included in the current period results. Accordingly the current period figures will not be comparable with the previous period figures.