

**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 PERIOD FROM JANUARY 1, 2009
TO JUNE 30, 2009**

**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 Period from January 1, 2009 to June 30, 2009**

Table of Contents

	<u>Page</u>
Report on Review of Interim Condensed Consolidated Financial Information	1 - 2
Interim Condensed Consolidated Statement of Financial Position	3 - 4
Interim Condensed Consolidated Statement of Income	5
Interim Condensed Consolidated Statement of Comprehensive Income	6
Interim Condensed Consolidated Statement of Changes in Equity	7
Interim Condensed Consolidated Cash Flows Statement	8
Notes to the Interim Condensed Consolidated Financial Information	9 - 22

Ref: 08483CFS09-June

Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Al-Sagr National Insurance Company (a Public Shareholding Company) - Dubai, United Arab Emirates** (the "Company") and its subsidiary (collectively "the Group") as at June 30, 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and accompanying notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. 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 of 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 information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Report on Review of Interim Condensed Consolidated Financials Information to the Board of Directors of Al-Sagr National Insurance Company (a Public Shareholding Company) and its Subsidiary, Dubai, United Arab Emirates (page 2 of 2)

Emphasis of matters

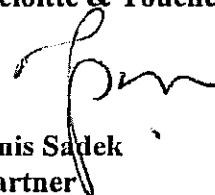
Without qualifying our conclusion, we draw attention to:

Note 15 to the interim condensed consolidated financial information with respect to the discontinued operations of the Company's subsidiary Al Sagr Saudi Insurance Company. The subsidiary discontinued its operations with effect from December 28, 2008 as instructed by the Saudi Arabian Monetary Agency ("SAMA"). Consequently, the result of operations of the subsidiary for the period from January 1, 2009 to June 30, 2009 is not consolidated. The assets and liabilities of the subsidiary will be transferred to the newly formed company, Al Sagr Co-operative Insurance Company, in which the Company holds 26% ownership, upon completion of the valuation procedures instructed by SAMA.

Note 13 (b) to the interim condensed consolidated financial information regarding the sale by the Group, during the period ended June 30, 2009, of its investment property at the Dubai Silicon Oasis at an agreed price of AED 63 million to a related party.

Dubai
August 9, 2009

Deloitte & Touche



Anis Sadek
Partner
(Registration No. 521)

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

3

**Interim Condensed Consolidated Statement of Financial Position
As at June 30, 2009
(In Arab Emirates Dirhams)**

	<u>Note</u>	<u>June 30, 2009</u> (Un-audited)	<u>December 31, 2008</u> (Audited)
ASSETS			
Non-current assets			
Property and equipment		3,304,602	2,636,398
Investment property under construction	4 & 13(b)	28,645,429	43,114,008
Investment in joint venture	5 & 13(b)	175,519,771	127,639,771
Investment in associates	6	51,884,294	51,584,294
Held-to-maturity investments	7	7,945,519	7,945,519
Available-for-sale investments	7	182,820	625,000
Investment in a subsidiary	15	23,290,575	23,290,575
Total non-current assets		290,773,010	256,835,565
Current assets			
Reinsurance contract assets	8	224,518,709	200,454,733
Insurance and other receivables		298,230,051	243,067,875
Due from related parties	13(c)	146,275,250	3,495,074
Investments held for trading	7	137,638,281	340,117,304
Bank balances and cash	9	267,027,164	206,754,415
Total current assets		1,073,689,455	993,889,401
Total Assets		1,364,462,465	1,250,724,966

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

Interim Condensed Consolidated Statement of Financial Position (continued)
As at June 30, 2009
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>June 30,</u> <u>2009</u> <u>(Un-audited)</u>	<u>December 31,</u> <u>2008</u> <u>(Audited)</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	230,000,000	200,000,000
Statutory reserve		43,813,683	43,813,683
General reserve		200,000,000	150,000,000
Investments revaluation reserve		-	110,000
Retained earnings		<u>146,043,560</u>	<u>173,920,318</u>
Equity attributable to equity holders of the parent		619,857,243	567,844,001
Non-controlling interests	16	<u>5,160,004</u>	<u>-</u>
Total Equity		<u>625,017,247</u>	<u>567,844,001</u>
Non-current liabilities			
Due to related parties	13(a)	11,904,068	11,904,068
Provision for employees' end of service indemnity		9,085,717	7,809,448
Bank borrowings - non-current	11	<u>-</u>	<u>61,520,745</u>
Total non-current liabilities		<u>20,989,785</u>	<u>81,234,261</u>
Current liabilities			
Insurance contract liabilities	8	418,163,931	360,838,371
Bank borrowings - current	11	140,912,266	87,738,535
Insurance and other payables		121,226,736	123,948,371
Advances from related parties	13(a)	<u>38,152,500</u>	<u>29,121,427</u>
Total current liabilities		<u>718,455,433</u>	<u>601,646,704</u>
Total Liabilities		<u>739,445,218</u>	<u>682,880,965</u>
Total Equity and Liabilities		<u>1,364,462,465</u>	<u>1,250,724,966</u>

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

The interim condensed consolidated financial information on pages 3 to 22 were approved by the Board of Directors and authorized for issue on August 9, 2009:

Chairman

Vice Chairman

General Manager

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

5

**Interim Condensed Consolidated Statement of Income (Un-audited)
For the period from January 1, 2009 to June 30, 2009
(In Arab Emirates Dirhams)**

	Six-month period ended June 30,		Three-month period ended June 30,	
	2009	2008	2009	2008
Gross insurance premium revenue	272,304,200	248,469,749	113,906,580	103,825,288
Less: Insurance premium ceded to reinsurers	(114,794,952)	(123,623,248)	(40,003,452)	(48,240,942)
Net retained premium revenue	157,509,248	124,846,501	73,903,128	55,584,346
Net change in unearned premium	(17,517,311)	(25,499,860)	(3,030,104)	(9,927,721)
Net insurance premium revenue	139,991,937	99,346,641	70,873,024	45,656,625
Gross claims settled	(186,888,671)	(205,280,887)	(90,404,939)	(107,977,696)
Insurance claims recovered from reinsurers	73,809,302	138,469,163	31,175,600	72,689,202
Net claims settled	(113,079,369)	(66,811,724)	(59,229,339)	(35,288,494)
Net change in outstanding claims	(1,464,185)	(12,839,349)	(2,795,761)	(3,967,897)
Net claims incurred	(114,543,554)	(79,651,073)	(62,025,100)	(39,256,391)
Gross commission earned and documentation fees	44,678,791	46,453,950	17,583,432	20,653,130
Less: Commission incurred	(25,767,946)	(22,926,639)	(11,411,170)	(10,805,572)
Net commission and documentation fees earned	18,910,845	23,527,311	6,172,262	9,847,558
Underwriting profit	44,359,228	43,222,879	15,020,186	16,247,792
General and administrative expenses relating to underwriting activities	(12,443,657)	(11,986,284)	(7,034,298)	(7,184,115)
Net underwriting profit	31,915,571	31,236,595	7,985,888	9,063,677
Investment revenue	23,036,840	25,662,210	14,005,852	13,384,490
(Loss)/gain on revaluation of held for trading investments	(32,826,306)	19,534,496	31,193	5,250,058
Profit on disposal of investment property [Note 13 (b)]	39,207,454	-	-	-
Finance costs	(3,278,728)	(1,587,323)	(141,461)	(695,354)
Other (expenses)/income	(1,920,675)	(1,488,259)	(720,758)	140,994
Unallocated general and administrative expenses	(3,110,914)	(2,996,571)	(1,666,616)	(1,796,029)
Net profit for the period	53,023,242	70,361,148	19,494,098	25,347,836
Attributable to:				
Equity holders of the parent	53,023,242	70,361,148	19,494,098	25,347,836
Non-controlling interests (Note 16)	-	-	-	-
	53,023,242	70,361,148	19,494,098	25,347,836
Basic earnings per share (Note 12)	0.23	0.31	0.08	0.11

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

Interim Condensed Consolidated Statement of Comprehensive Income
(Un-audited)
For the period from January 1, 2009 to June 30, 2009
(In Arab Emirates Dirhams)

	Six-month period ended		Three-month period ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net profit for the period	53,023,242	70,361,148	19,494,098	25,347,836
Other comprehensive income				
Board of Directors' remuneration paid (Note 10)	(900,000)	(750,000)	-	(750,000)
Loss on revaluation of available-for-sale investments	-	(555,000)	-	(5,000)
Total comprehensive income for the period	52,123,242	69,056,148	19,494,098	24,592,836
Total comprehensive income attributable to:				
Equity holders of the parent	52,123,242	69,056,148	19,494,098	24,592,836
Non-controlling interests (Note 16)	-	-	-	-
	52,123,242	69,056,148	19,494,098	24,592,836

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**

7

**Interim Condensed Consolidated Statement of Changes in Equity
For the period from January 1, 2009 to June 30, 2009
(In Arab Emirates Dirhams)**

	Share capital	Statutory reserve	General reserve	Investment revaluation reserve	Retained earnings	Attributable to equity holders of parent	Non-controlling interest	Total
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
Net profit for the period	-	-	-	-	70,361,148	70,361,148	-	70,361,148
Board of directors' remuneration paid	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Loss on revaluation of available-for-sale Investments	-	-	-	(555,000)	-	(555,000)	-	(555,000)
Total comprehensive income for the period	-	-	-	(555,000)	-	(555,000)	-	(555,000)
Issue of bonus shares	50,000,000	-	-	(555,000)	69,611,148	69,056,148	-	69,056,148
Right issue of shares	50,000,000	-	-	-	(50,000,000)	-	-	-
Transfer to general reserve	-	-	-	-	-	50,000,000	-	50,000,000
Non-controlling interest on discontinued operations	-	-	50,000,000	-	(50,000,000)	-	-	-
Balance at June 30, 2008 (un-audited)	200,000,000	37,099,907	150,000,000	2,030,000	183,857,481	572,987,388	(18,445,607)	(18,445,607)
Balance at December 31, 2008	200,000,000	43,813,683	150,000,000	110,000	173,920,318	567,844,001	-	567,844,001
Net profit for the period	-	-	-	-	53,023,242	53,023,242	-	53,023,242
Board of Directors' remuneration paid (Note 10)	-	-	-	-	(900,000)	(900,000)	-	(900,000)
Total comprehensive income for the period	-	-	-	-	-	(900,000)	-	(900,000)
Issue of bonus shares (Note 10)	30,000,000	-	-	-	52,123,242	52,123,242	-	52,123,242
Transfer to general reserve (Note 10)	-	-	-	-	(30,000,000)	-	-	-
Transfer out from reserve on disposal of available for sale investments	-	-	50,000,000	-	(50,000,000)	-	-	-
Non-controlling interest arising on the acquisition of a subsidiary (Note 16)	-	-	-	(110,000)	-	(110,000)	-	(110,000)
Balance at June 30, 2009 (un-audited)	230,000,000	43,813,683	200,000,000	-	146,043,560	619,857,243	5,160,004	625,017,247

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

Interim Condensed Consolidated Cash Flows Statement (Un-audited)
For the period from January 1, 2009 to June 30, 2009
(In Arab Emirates Dirhams)

	Six-month period ended June 30,	
	2009	2008
Cash flows from operating activities		
Net profit for the period	53,023,242	70,361,148
Adjustments for:		
Depreciation of property and equipment	321,310	145,654
Allowance for bad debts	1,000,000	1,000,000
Investment revenue	(23,036,840)	(25,662,210)
Profit on disposal of investment property	(39,207,454)	-
(Increase)/decrease in reinsurance contract assets	(13,792,874)	63,019,574
Increase/(decrease) in insurance contract liabilities	32,774,371	(24,680,364)
Loss/(gain) on revaluation of held for trading investments	32,826,306	(19,534,496)
Provision for employees' end of service indemnity	1,290,000	2,121,822
Finance costs	3,278,728	1,587,323
Operating cash flows before movements in working capital	48,476,789	68,358,451
(Increase)/decrease in fixed deposits with banks	(16,056,567)	34,143,207
Increase in insurance and other receivables	(47,052,641)	(120,335,154)
Increase in due from related parties	3,495,074	-
(Decrease)/increase in insurance and other payables and advances - net	(811,629)	54,296,428
Cash (used in)/generated from operations	(11,948,974)	36,462,932
Interest paid	(3,278,728)	(1,587,323)
Employees' end of service indemnity paid	(13,731)	(123,712)
Net cash (used in)/from operating activities	(15,241,433)	34,751,897
Cash flows from investing activities		
Proceeds from sale of investment property	63,644,074	-
Purchase of investment property	(3,774,000)	(8,593,201)
Proceeds from sale of investments in securities	95,499,301	203,974,163
Purchase of investments in securities	(60,527,492)	(364,163,173)
Addition of investment in joint venture	(47,880,000)	(58,114,360)
Addition of investment in subsidiary	(21,928,200)	-
Purchase of investment in associates	(300,000)	(76,370,580)
Purchase of property and equipment	(673,453)	(475,192)
Interest received	6,777,870	4,564,607
Dividends received	4,073,820	4,638,070
Proceeds from associate company	-	1,960,000
Net cash from /(used in) investing activities	34,911,920	(292,579,666)
Cash flows from financing activities		
Issue of share capital	-	50,000,000
Directors' remuneration paid	(900,000)	(750,000)
Repayment of bank loan	(76,370,580)	-
Increase in bank overdrafts	68,023,566	200,422,117
Net cash (used in)/from financing activities	(9,247,014)	249,672,117
Net increase/(decrease) in cash and cash equivalents	10,423,473	(8,155,652)
Cash and cash equivalents, at the beginning of the period	2,741,310	38,798,948
Adjustment for the cash and cash equivalent of acquired subsidiary not included in the beginning balance (Note 16)	33,792,709	-
Adjustment for the cash 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)	46,957,492	26,455,163
Non-cash transaction		
Sale of investments held for trading to a related party (Note 13)	146,275,250	-

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

**Notes to the Interim Condensed Consolidated Financial Information
For the Period January 1, 2009 to June 30, 2009**

1. General information

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, U.A.E.

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 U.A.E.

The Company also operates in Saudi Arabia under the name of Al-Sagr Saudi Insurance Company (a Bahraini shareholding closed exempt company) and in which the Company owns 50% of its capital. This subsidiary discontinued its operations in Saudi Arabia effective from December 28, 2008 (Note 15).

Under the new Co-operative insurance regulations promulgated in the Kingdom of Saudi Arabia by a Royal decree number M/32 dated 2/6/1424 (July 31, 2003), insurance in the Kingdom shall be undertaken through registered companies operating in a co-operative manner. No insurance or re-insurance company may be incorporated in the Kingdom without a license issued by Royal Decree provided that it will be operating as a public joint stock company and having a minimum paid up capital of SR 100 million. Accordingly, the Company was required to obtain a license to practice its insurance activities in the Kingdom of Saudi Arabia.

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 Co-operative Insurance Company", in which the Company holds 26% ownership. This 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).

On June 30, 2009, the Company entered as a strategic partner and acquired 84% of Jordan Emirates Insurance Company PSC (the 'Subsidiary') share capital (Public Listed Company incorporated in Jordan - formerly Oasis Insurance Co. Ltd) for an amount of 4.2 million Jordanian Dinar (equivalent to AED 21,928,200) whereby 29% out of the 84% shareholding of the Company is registered in the name of a third party on behalf and for the benefit of the Company. The principal activity of the Subsidiary is the writing of insurance of all types. The Subsidiary operates through its Head Office in Jordan (Refer to Note 16 for more details).

**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009**

2. Significant accounting policies

Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34 *Interim Financial Reporting*.

Significant accounting policies

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments which are stated at their fair value.

This interim condensed consolidated financial information is presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Company is domiciled.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial information as were applied in the preparation of the Group's financial statements for the year ended December 31, 2008 except for the application of IFRS 3: Business Combinations and the use of the purchase method for the acquisition of subsidiaries and the impact of the adoption of the standards and interpretations described below:

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009).

The revised standard has introduced a number of terminology (including revised titles for the condensed financial information) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

The Group also has adopted the revised and amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC that are relevant to its operations for the period beginning January 1, 2009. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Group.

This interim condensed consolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's annual audited financial statements as at and for the year ended December 31, 2008. In addition, results for the six-month period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2009.

**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009**

2. Significant accounting policies (continued)

(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 financial statements as at and for the year ended December 31, 2008.

(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 financial statements as at and for the year ended December 31, 2008.

3. Basis of consolidation

The interim condensed consolidated financial information incorporates the interim financial information of the Company and the entities 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 entities so as to obtain benefits from its activities.

The results of subsidiaries 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 condensed consolidated financial information of a subsidiary to bring the accounting policies in line with those used by the parent company.

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

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

4. Investment property under construction

	<u>Total</u> <u>AED</u>
As at December 31, 2008 (audited)	43,114,008
Additions during the period	3,774,000
Resulting from acquisition of Subsidiary (Note 16)	6,194,041
Disposals during the period [Note 13(b)]	(24,436,620)
Balance at June 30, 2009 (Un-audited)	28,645,429

Investment properties are initially stated at cost comprising purchase price and any directly attributable expenditure. All investment properties are situated in the U.A.E. except for investment properties of Jordan Emirates Insurance Company PSC (the "Subsidiary") amounting to AED 6,194,041 which are situated in Jordan.

5. Investments in joint venture

	<u>June 30,</u> <u>2009</u> <u>(Un-audited)</u> <u>AED</u>	<u>December 31,</u> <u>2008</u> <u>(Audited)</u> <u>AED</u>
Investment in joint venture with a related party	175,519,771	127,639,771

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

- (i) A 10% ownership share in Meydan Tower, a property located in Dubai. The Group has contributed AED 115,720,000 as at June 30, 2009 (December 31, 2008-AED 67,840,000). The 10% ownership is held in the name of GGICO on trust and for the benefit of the Group and amounts to AED 199,570,000 for which the balance of AED 83,850,000 is a commitment to GGICO [Note 17].
- (ii) A 50% ownership share in the purchase of a plot of land in Al Barsha. The Group has contributed AED 41,277,411 as at June 30, 2009. The land is registered in the name of the Group.
- (iii) A 30% ownership share in the purchase of 4 plots of land at Emirates Industrial City. The Group has contributed AED 18,522,360 as at June 30, 2009. The 30% ownership is held in the name of GGICO on trust and for the benefit of the Group.

**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009**

6. Investments in associates

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Al-Sagr Cooperative Insurance Company, Kingdom of Saudi Arabia [Note 6(a)]	51,584,294	51,584,294
Sogour Al Khaleej General Trading LLC [Note 6(b)]	150,000	-
Green Air Technology LLC [Note 6(c)]	150,000	-
	<u>51,884,294</u>	<u>51,584,294</u>

- (a) The Company holds 26% ownership in Al-Sagr Cooperative Insurance Company, a company incorporated in Kingdom of Saudi Arabia. The main activity of the associate is writing of insurance of all types.
- (b) The Company holds 50% ownership in Sogour Al Khaleej General Trading LLC, a limited liability company incorporated in Dubai, United Arab Emirates during the period. The main activity of the associate is general trading. The remaining 50% ownership is owned by GGICO, a related party.
- (c) The Group holds 50% ownership in Green Air Technology LLC, a limited liability company incorporated in Dubai, United Arab Emirates during the period. The remaining 50% ownership is owned equally by GGICO and the CEO of the Company. The 50% share of the Group is registered in the name of GGICO on behalf and for the benefit of the Group. The main activity of the associate is general trading.

Although, the Group holds 50% in 2 associates, these are controlled by GGICO. The Company does not participate in the financial and operating policy decisions of these associates. Consequently, these companies are not treated as subsidiaries.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

7. Investments in securities

All investments in securities are held within the U.A.E. except for those held by the Subsidiary.

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

	June 30, 2009	December 31, 2008
	(Un-audited)	(Audited)
	AED	AED
a) Held-for-trading investments:		
Fair value, at the beginning of the period/year	340,117,304	183,776,329
Net (disposals)/additions during the period/year	(169,652,717)	186,336,448
Loss on revaluation of investments at fair value	(32,826,306)	(29,995,473)
Fair value, at the end of the period/year	137,638,281	340,117,304
b) Available-for-sale investments:		
Fair value, at the beginning of the period/year	625,000	3,100,000
Acquisition of Subsidiary (Note 16)	182,820	-
Disposals during the period/year	(625,000)	(2,475,000)
Fair value, at the end of the period/year	182,820	625,000
c) Held-to-maturity investments:		
Cost, at the beginning of the period/year	7,945,519	4,384,816
Net additions during the period/year	-	3,560,703
Cost, at the end of the period/year	7,945,519	7,945,519

Held to maturity investments include an investment in fund with a related party amounting to AED 3,445,519 (2008: AED 3,445,519).

Held-for-trading investments and Available-for-sale investments amounting to AED 647,103 and AED 182,820 are held by the Subsidiary in Jordan (Note 16).

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

8. Insurance contract liabilities and re-insurance contract assets

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	193,205,188	165,043,466
Claims incurred but not reported	8,170,400	6,500,000
Unearned premiums	<u>216,788,343</u>	<u>189,294,905</u>
Total insurance contract liabilities (gross)	<u>418,163,931</u>	<u>360,838,371</u>
Recoverable from reinsurers		
Claims reported unsettled	133,791,062	114,165,174
Unearned premiums	<u>90,727,647</u>	<u>86,289,559</u>
Total reinsurers' share of insurance liabilities	<u>224,518,709</u>	<u>200,454,733</u>
Net		
Claims reported unsettled	59,414,126	50,878,292
Claims incurred but not reported	8,170,400	6,500,000
Unearned premiums	<u>126,060,696</u>	<u>103,005,346</u>
	<u>193,645,222</u>	<u>160,383,638</u>

9. Bank balances and cash

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Cash on hand	166,400	22,000
Bank balances:		
Current accounts	6,296,102	2,719,310
Fixed deposits	<u>260,564,662</u>	<u>204,013,105</u>
	<u>267,027,164</u>	<u>206,754,415</u>

Fixed deposits with banks as at June 30, 2009 include AED 10.0 million (December 31, 2008: AED 7.5 million) 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 (6) of 2007, as amended, relating to Insurance Companies and Agents.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

9. Bank balances and cash (continued)

Fixed deposits with banks as at June 30, 2009 amounting to AED 165.5 million are under lien (December 31, 2008: AED 106.0 million) against the bank facilities availed by the Group (Note 11).

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

10. Share capital and reserves

- a) Share capital as at June 30, 2009 consists of 230,000,000 (December 31, 2008 - 200,000,000) issued and fully paid ordinary shares of AED 1 each amounted to AED 230 million (December 31, 2008 – AED 200 million). During the six-month period ended June 30, 2009, the Company increased its share capital by AED 30 million by issuing 30,000,000 bonus shares at a face value of AED 1 each.
- b) On March 3, 2009, the board of directors proposed a bonus share issue of 15% of the share capital, board of directors' remuneration of AED 900,000 and a transfer to general reserve of AED 50 million.

These proposals were ratified by a resolution of the shareholders during the Ordinary General Assembly Meeting held on March 22, 2009.

11. Bank borrowings

	Current		Non-current	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
	AED	AED	AED	AED
Term loan	-	14,849,835	-	61,520,745
Bank overdraft	<u>140,912,266</u>	<u>72,888,700</u>	-	-
	<u>140,912,266</u>	<u>87,738,535</u>	-	<u>61,520,745</u>

During 2008, a bank term loan amounting to AED 76.4 million was obtained from a U.A.E. bank payable in 12 equal quarterly installments of AED 6.4 million each, plus interest with a 1 year moratorium period starting from the date of first drawdown made on May 8, 2008. Interest is payable at a rate of 1.875% over 3 month EIBOR. The loan is secured by:

- Hypothecation over fixed deposits up to AED 52.0 million.
- Pledge of 38.2 million shares of Union Insurance Company held by the Company.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

11. Bank borrowings (continued)

The term loan has been fully repaid by the Group during the period. Accordingly, the securities were released.

The Group obtained bank facilities in the form of overdraft repayable upon demand and bearing interest ranging from 5.5% to 6% per annum (2008: 5% to 6.5% per annum). These facilities are secured by lien on fixed deposits amounting to AED 37.5 million. The bank overdraft limit provided under the facility is AED 75.0 million.

12. Basic earnings per share

	Six-month period ended June 30,		Three-month period ended June 30,	
	2009	2008	2009	2008
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AED	AED	AED	AED
Net profit for the period	<u>53,023,242</u>	<u>70,361,148</u>	<u>19,494,098</u>	<u>25,347,836</u>
Total number of shares as at June 30, including bonus	<u>230,000,000</u>	<u>200,000,000</u>	<u>230,000,000</u>	<u>200,000,000</u>
Weighted average number of shares	<u>230,000,000</u>	<u>230,000,000</u>	<u>230,000,000</u>	<u>230,000,000</u>
	AED	AED	AED	AED
Basic earnings per share	<u>0.23</u>	<u>0.31</u>	<u>0.08</u>	<u>0.11</u>

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

The weighted average number of shares as of June 30, 2009 and 2008 has been adjusted to reflect the bonus and right shares issued during 2008 and 2009.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

13. Related party transactions

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

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Due from policy holders	2,098,929	828,921
Due from shareholders	9,962,689	2,039,304
Due to related parties	11,904,068	11,904,068
Due from a related party [refer Note 13 (c) below]	146,275,250	3,495,074
Gross outstanding claims	6,905,667	18,022,485
Investments in joint ventures	175,519,771	127,639,771
Held to maturity investments	3,445,519	3,445,519
Advances received	38,152,500	29,121,427

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Due to related parties represents the portion of the amount paid by the shareholders on behalf of the Group against the investment in one of its associate - Al Sagr Co-Operative Insurance Company, Kingdom of Saudi Arabia.

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

	Six-month period ended June 30,		Three-month period ended June 30,	
	2009 (Un-audited) AED	2008 (Un-audited) AED	2009 (Un-audited) AED	2008 (Un-audited) AED
Gross premium	12,746,904	10,514,714	3,165,553	2,425,733
Gross claims paid	15,303,798	81,222,312	138,748	34,769,804
Sale of investment property [Note 13(b)]	63,644,074	-	-	-
Interest income from GGICO	2,231,687	-	-	-
Sale of held for trading investments [Note 13(c)]	145,920,000	-	145,920,000	-

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

13. Related party transactions (continued)

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

Value for the sale of investment property and investment in joint venture are determined and approved by the board of directors.

Compensation of key management personnel

	Six-month period ended June 30,		Three-month period ended June 30,	
	2009 (Un-audited) AED	2008 (Un-audited) AED	2009 (Un-audited) AED	2008 (Un-audited) AED
Salaries and benefits	<u>5,058,424</u>	<u>3,471,396</u>	<u>2,529,212</u>	<u>1,232,396</u>

- b) During the period, the Group sold the investment property at the Dubai Silicon Oasis to Gulf General Investments Company (GGICO) for a total amount of AED 63,644,074. The investment property had a net book value of AED 24,436,620 (Note 4) resulting in a profit on disposal of property of AED 39,207,454. This was settled against the advance of AED 22,275,427 from a related party as of December 31, 2008 and the balance of AED 41,368,647 was considered as additional investment of the Group towards the investments in the joint venture with the same related party in the Meydan Tower (Note 5).
- c) During the period, the Company sold 32 million shares of Union Insurance Company which was classified under investment held for trading to Sogour Al Khaleej General Trading LLC, one of the Company's associates [refer Note 6(b)] for an agreed amount of AED 146 million. The amount is not yet received as of June 30, 2009 and classified under amount due from related parties.

14. Cash and cash equivalents

	June 30,	
	2009 (Un-audited) AED	2008 (Un-audited) AED
Bank balances and cash (Note 9)	267,027,164	184,053,715
Long term and fixed deposits under lien	<u>(220,069,672)</u>	<u>(157,598,552)</u>
	<u>46,957,492</u>	<u>26,455,163</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009

15. Investment in subsidiaries

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Al Sagr Saudi Insurance Company (discontinued operations) [Note 15 (a)]	23,290,575	23,290,575

- (a) The operations of the Company's subsidiary Al Sagr Saudi Insurance Company were discontinued with effect from December 28, 2008. The assets and liabilities of the Al Sagr Saudi Insurance Company will be transferred to the newly formed Company - Al-Sagr Co-operative Insurance Company in which the Company holds 26% ownership upon completion of the valuation procedures instructed by the 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 Co-operative Insurance Company, once the valuation of the Company has been approved by the SAMA valuation committee.

Following is the movement of investment in subsidiary - discontinued operation:

	June 30, 2009 (Un-audited) AED	December 31, 2008 (Audited) AED
Share of the balance at beginning of the period/year	23,290,575	18,445,607
Profit during the period/year	-	4,844,968
Balance at the end of the period/year	23,290,575	23,290,575

**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009**

16. Acquisition of subsidiary

On June 30, 2009, the Company entered as a strategic partner and acquired 84% of Jordan Emirates Insurance Company PSC (the 'Subsidiary') share capital (Public Listed Company incorporated in Jordan - formerly Oasis Insurance Co. Ltd) for an amount of 4.2 million Jordanian Dinar (equivalent to AED 21,928,200) whereby 29% out of the 84% shareholding of the Company is registered in the name of a third party on behalf and for the benefit of the Company. The principal activity of the Subsidiary is the writing of insurance of all types and operates through its Head Office in Jordan. The functional currency of the Subsidiary is Jordanian Dinar and, for the purpose of consolidation, the Subsidiary's assets and liabilities have been translated at the rate of U.A.E Dirhams being equivalent to Jordanian Dinar 0.1916. This transaction has been accounted for by the purchase method of accounting in accordance with IFRS 3: Business Combinations.

The net assets acquired in the transaction are as follows:

	<u>AED</u>
Net assets acquired at book value:	
Property and equipment	316,061
Investment property under construction	6,194,041
Available-for-sale investments	182,820
Reinsurance contract assets	10,271,102
Insurance and other receivables	7,356,624
Investments held for trading	647,103
Bank balances and cash	33,792,709
Insurance contract liabilities	(24,551,189)
Insurance and other payables	(7,121,067)
	<u>27,088,204</u>
Less: Non-controlling interests	(5,160,004)
Total consideration, satisfied by cash	<u><u>21,928,200</u></u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(21,928,200)
Cash and cash equivalents acquired	<u><u>33,792,709</u></u>
	<u><u>11,864,509</u></u>

**Notes to the Interim Condensed Consolidated Financial Information (continued)
For the Period January 1, 2009 to June 30, 2009**

16. Acquisition of subsidiary (continued)

The acquisition of the Subsidiary has no impact on the interim condensed consolidated statement of income and statement of comprehensive income as the effective date of acquisition is June 30, 2009.

The assessment of the fair value of the identifiable assets acquired and liabilities assumed by the Group on the above acquisition, as required under IFRS 3: Business Combinations, was incomplete at the date of this condensed consolidated financial information and any fair value adjustments required will be made on completion of the assessment in due course as permitted under IFRS 3.

17. Contingent liabilities

	June 30, 2009	December 31, 2008
	(Un-audited)	(Audited)
	AED	AED
Letters of guarantee	23,887,858	18,778,271
Capital commitments	83,850,000	131,730,000

18. Comparative amounts

Certain amounts for the prior period were reclassified to conform to current period presentation. Moreover, previous period figures does not include the assets, liabilities and operational results of the newly acquired Subsidiary, Jordan Emirates Insurance Company PSC, which is included in the current period results. Accordingly the current period figures will not be comparable with the previous period figures.

19. Approval of the interim financial information

The interim condensed consolidated financial information on pages 3 to 22 were approved and signed by the General Manager, on behalf of the Board of Directors, on August 9, 2009.