Arab Orient Insurance Company (PSC) and its subsidiary

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2011 (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 subsidiary (the "Group") as at 31 March 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011, the related interim consolidated statements of income and comprehensive income for the three month period then ended and the statement of changes in equity and cash flows for the three 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:
Joseph A. Murphy
Partner
Registration No. 492

27 April 2011

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011 (Unaudited)

	Notes	*31 March 2011* AED'000	*Audited 31 December 2010* AED'000	*31 March 2010* AED'000
ASSETS				
Office equipment and vehicles		**5,118**	5,516	6,677
Investment property	4	**127,802**	127,802	127,802
Investment in associated company	5	**33,795**	34,523	30,981
Investment securities	6	**51,437**	49,796	61,830
Reinsurance share of outstanding claims		**227,432**	225,198	261,212
Reinsurance share of unearned premium reserve		**366,332**	355,394	329,067
Insurance receivables		**238,046**	233,598	246,580
Prepayment and other receivables		**24,296**	15,042	21,400
Deposits with banks	7	**999,910**	997,873	805,778
Cash and cash equivalents		**15,158**	44,971	57,141
TOTAL ASSETS		**2,089,326**	2,089,713	1,948,468
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	8	**375,000**	300,000	300,000
Statutory reserve	9	**75,000**	75,000	75,000
Legal reserve	9	**111,115**	111,115	91,682
Exceptional loss reserve	9	**80,055**	80,055	67,157
General reserve	9	**167,132**	242,132	142,132
Retained earnings		**63,036**	514	56,655
Available-for-sale (AFS) reserve	9	**(1,535)**	(1,136)	(1,735)
Foreign currency translation reserve	9	**(2,218)**	(1,192)	765
Proposed dividends		**-**	60,000	-
		867,585	866,488	731,656
Non-controlling interest		**12,363**	11,880	12,532
Total equity		**879,948**	878,368	744,188
Liabilities				
Insurance contract liabilities:				
Unearned premiums		**500,596**	480,620	439,723
Outstanding claims		**342,151**	341,129	366,615
Reinsurance payables		**181,768**	187,112	170,304
Amounts held under insurance treaties		**120,159**	118,762	100,183
Other payables and accruals		**64,704**	83,722	67,455
Dividend payable		**-**	-	60,000
Total liabilities		**1,209,378**	1,211,345	1,204,280
TOTAL EQUITY AND LIABILITIES		**2,089,326**	2,089,713	1,948,468

Senior Managing Director
27 April 2011

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2011 (Unaudited)

	Note	*Three months ended 31 March*	
		2011 AED'000	*2010 AED'000*
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium		**286,401**	247,923
Movement in provision for unearned premium		**(20,478)**	(8,612)
Insurance premium revenue		**265,923**	239,311
Less: **Reinsurers' share of premium**			
Insurance contracts premium		**192,714**	171,841
Movement in provision for unearned premium		**(11,083)**	(10,774)
		181,631	161,067
Net insurance premium revenue		**84,292**	78,244
Commission income		**29,361**	25,128
Total underwriting income		**113,653**	103,372
UNDERWRITING EXPENSES			
Claims paid		**97,897**	117,904
Less: re-insurance share		**(70,589)**	(91,293)
Net claims		**27,308**	26,611
Increase in outstanding claims		**(1,127)**	3,781
Claims incurred		**26,181**	30,392
Commission expenses		**18,275**	15,348
General and administration expenses		**21,602**	18,660
Total underwriting expenses		**66,058**	64,400
NET UNDERWRITING INCOME		**47,595**	38,972
INVESTMENT INCOME			
Interest income		**10,078**	9,944
Rental and other income		**5,682**	5,575
Fair value gain on investments carried at fair value through profit or loss		**378**	695
		16,138	16,214
Share of associate's (loss) profit		**(728)**	993
PROFIT FOR THE PERIOD		**63,005**	56,179
Attributable to:			
Equity holders of the parent		**62,522**	56,505
Non-controlling interests		**483**	(326)
		63,005	56,179
Basic and diluted earnings per share (AED)			
Attributable to equity holders of the parent	3	**16.67**	15.07

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011 (Unaudited)

	Three months ended 31 March	
	2011 AED'000	*2010 AED'000*
Profit for the period	**63,005**	56,179
Other comprehensive income		
Exchange differences on translation of foreign operations	**(1,026)**	431
Net unrealised losses on available -for- sale investments	**(399)**	(758)
Total comprehensive income for the period	**61,580**	55,852
Attributable to:		
Equity holders of parent	**61,097**	56,178
Non-controlling interests	**483**	(326)
	61,580	55,852

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2011 (Unaudited)

	Three months ended 31 March	
	2011 AED'000	*2010 AED'000*
OPERATING ACTIVITIES		
Profit for the period	**63,005**	56,179
Adjustments for:		
Depreciation	**475**	426
Gain on sale of office equipment and vehicles	**(35)**	(49)
Interest income	**(10,078)**	(9,944)
Rental income	**(5,682)**	(5,575)
Share of associate's loss (profit)	**728**	(993)
Unrealised gain on investments at fair value through profit or loss		**(378)**
(695)		
Operating profit before changes in operating assets and liabilities	**48,035**	39,349
Insurance receivables	**(4,448)**	(49,801)
Insurance contract liabilities	**20,998**	(6,604)
Prepayments and other receivables	**(9,254)**	(7,498)
Reinsurance payables	**(3,947)**	30,662
Other payables and accruals	**(19,018)**	(5,322)
Reinsurance assets	**(13,172)**	2,915
Net cash from operating activities	**19,194**	3,701
INVESTING ACTIVITIES		
Purchase of office equipment and vehicles	**(97)**	(935)
Proceeds from sale of office equipment and vehicles	**55**	144
Interest income	**10,078**	9,944
Rental income	**5,682**	5,575
Purchase of available-for-sale investments	**(854)**	-
Purchase of held to maturity investments	**(808)**	-
Deposits with banks	**(2,037)**	2,813
Net cash from investing activities	**12,019**	17,541
FINANCING ACTIVITIES		
Dividends paid	**(60,000)**	-
Net cash used in financing activities	**(60,000)**	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(28,787)**	21,242
Cash and cash equivalents at 1 January	**44,971**	35,468
Movement in foreign currency translation reserve	**(1,026)**	431
CASH AND CASH EQUIVALENTS AT 31 MARCH	**15,158**	57,141

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 March 2011 (Unaudited)

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed dividend AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
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	-	-	-	-	-	62,522	-	-	-	62,522	483	63,005
Other comprehensive income for the period	-	-	-	-	-	-	-	(399)	(1,026)	(1,425)	-	(1,425)
Total comprehensive income	-	-	-	-	-	62,522	-	(399)	(1,026)	61,097	483	61,580
Transfers	75,000		-	-	(75,000)		-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(60,000)	-	-	(60,000)	-	(60,000)
At 31 March 2011	**375,000**	**75,000**	**111,115**	**80,055**	**167,132**	**63,036**	-	**(1,535)**	**(2,218)**	**867,585**	**12,363**	**879,948**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2011 (Unaudited)

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed dividend AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
Balance at 1 January 2010	300,000	75,000	91,682	67,157	142,132	150	60,000	(977)	334	735,478	12,858	748,336
Profit for the period	-	-	-	-	-	56,505	-	-	-	56,505	-	56,505
Other comprehensive income (expense) for the period	-	-	-	-	-	-	-	(758)	431	(327)	(326)	(653)
Total comprehensive income (expense) for the period	-	-	-	-	-	56,505	-	(758)	431	56,178	(326)	55,852
Transfer to current liability	-	-	-	-	-	-	(60,000)	-	-	(60,000)	-	(60,000)
At 31 March 2010	300,000	75,000	91,682	67,157	142,132	56,655	-	(1,735)	765	731,656	12,532	744,188

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

1 ACTIVITIES

Arab Orient Insurance Company (PSC) ("the Company") is a Public Shareholding Company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks 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.

The Company operates and issues insurance policies in the United Arab Emirates, Egypt and Oman.

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

The group comprises of the parent and the under-mentioned subsidiary company.

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

2 ACCOUNTIG POLICIES

Basis of preparation
The interim contracted financial statements of the Group are prepared in accordance with International Financial Reporting Standards, Interim Financial Reporting ("IAS 34").

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2010 except for the adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2011. The adoption of these standards and interpretations did not have an impact on the financial position or performance of the Group during the period.

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 2010. In addition, results for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 3,750,000 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

	31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31 March 2010 AED'000*
At cost (within UAE)	**127,802**	127,802	127,802

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment property when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the statement of income in the period in which it is incurred.

No depreciation is charged on freehold land.

5 INVESTMENT IN ASSOCIATED COMPANY

	31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31 March 2010 AED'000*
Shares at cost	**24,351**	24,351	24,351
The Group's share of post acquisition reserves:			
At 1 January	**10,172**	5,637	5,637
Share of results for the period	**(728)**	4,535	993
Balance at period end	**9,444**	10,172	6,630
Investment in net equity at period end	**33,795**	34,523	30,981

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 Group and its associate are eliminated to the extent of the Group's interest in the associate.

6 INVESTMENT SECURITIES

	31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31 March 2010 AED'000*
Investments carried at fair value through profit or loss			
Managed portfolios			
- within UAE	-	-	1,613
- outside UAE	**2,055**	2,279	18,637
	2,055	2,279	20,250
Held for trading – Quoted shares (within UAE)	**7,204**	6,602	5,940
	9,259	8,881	26,190
Held to maturity			
Debt			
Unquoted - outside UAE			-
	3,996	3,188	-
	3,996	3,188	-
Available for sale investments			
Debt			
Quoted (within UAE)	**8,100**	8,225	7,300
Equity			
Quoted (within UAE)	**3,363**	3,637	3,963
Unquoted (within UAE)	**26,719**	25,865	24,377
	38,182	37,727	35,640
	51,437	49,796	61,830

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 comprehensive income is included in the 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:

		31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31 March 2010 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	**14,100**	14,100	14,100
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Fixed term deposits	**975,332**	973,295	781,200
		999,910	997,873	805,778

Except for the statutory deposits of AED 14,100,000 and AED 477,500 as stated above, the balance of deposits with banks is within the United Arab Emirates and Egypt.

8 SHARE CAPITAL

	31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31March 2010 AED'000*
Issued and fully paid- shares of AED 100 each	**375,000**	300,000	300,000

The shareholders approved an increase in the share capital by AED 75 million by the capitalisation of general reserve in the extraordinary meeting during March 2011. 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 three month period to 31 March 2011, 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 three month period to 31 March 2011, 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 three month period to 31 March 2011, 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. No transfer has been made to the general reserve during the three month period to 31 March 2011, as this will be based on the results for the year.

- **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:

	General insurance		*Life insurance*		*Total*	
	31 March 2011 AED'000	*31 March 2010 AED'000*	***31 March 2011 AED'000***	*31 March 2010 AED'000*	***31 March 2011 AED'000***	*31 March 2010 AED'000*
Three months ended 31 March						
TOTAL UNDERWRITING INCOME	**102,894**	94,123	**10,759**	9,249	**113,653**	103,372
NET UNDERWRITING INCOME	**43,169**	35,334	**4,426**	3,638	**47,595**	38,972
TOTAL INVESTMENT INCOME					**16,138**	16,214
Share of associates' (loss) profit					**(728)**	993
PROFIT FOR THE PERIOD					**63,005**	56,179

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

The Company is organised as one geographical segment and operates in United Arab Emirates and Egypt.

11 CONTINGENT LIABILITIES

	31 March 2011 AED'000	*Audited 31 December 2010 AED'000*	*31 March 2010 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**2,928**	4,043	2,127

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

Capital commitment			
Commitment for investments	**33,654**	33,503	33,343
Uncalled capital of subsidiary company	**18,444**	19,710	19,710
	52,098	53,213	53,053