Arab Orient Insurance Company (PSC)
and its subsidiary

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2010 (UNAUDITED)

ERNST & YOUNG

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Orient Insurance Company (PSC) as at 30 September 2010, comprising of the interim consolidated statement of financial position as at 30 September 2010 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and statements of changes in equity and cash flows for the nine-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

17 October 2010

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010 (Unaudited)

	Notes	30 September 2010 AED'000	Audited 31 December 2009 AED'000	30 September 2009 AED'000
ASSETS				
Office equipment and vehicles		6,074	6,263	4,493
Investment property	4	127,802	127,802	127,802
Investment in associated company	5	33,042	29,988	29,564
Investment securities	6	62,982	61,893	61,027
Reinsurance share of outstanding claims		303,829	274,901	296,387
Reinsurance share of unearned premium reserve		336,690	318,293	338,776
Insurance receivables		266,282	196,779	223,465
Prepayment and other receivables		32,856	13,902	37,376
Deposits with banks	7	817,182	808,591	694,943
Cash and cash equivalents		79,119	35,468	83,936
TOTAL ASSETS		2,065,858	1,873,880	1,897,769
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	8	300,000	300,000	300,000
Statutory reserve	9	75,000	75,000	62,500
Legal reserve	9	91,682	91,682	73,051
Exceptional loss reserve	9	67,157	67,157	55,880
General reserve	9	142,132	142,132	58,240
Retained earnings		161,230	150	150,973
Available-for-sale (AFS) reserve	9	(1,178)	(977)	(605)
Foreign currency translation reserve	9	(487)	334	820
Proposed dividends		-	60,000	-
		835,536	735,478	700,859
Non-controlling interests		11,914	12,858	12,913
Total equity		847,450	748,336	713,772
Liabilities				
Insurance contract liabilities:				
Unearned premiums		456,025	431,111	454,189
Outstanding claims		407,561	381,831	406,977
		863,586	812,942	861,166
Reinsurance payable		167,255	138,650	161,221
Amounts held under insurance treaties		108,953	101,175	106,215
Other payables and accruals		78,614	72,777	55,395
Total liabilities		1,218,408	1,125,544	1,183,997
TOTAL EQUITY AND LIABILITIES		2,065,858	1,873,880	1,897,769

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Senior Managing Director

17 October 2010

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2010 (Unaudited)

	Notes	*Three months ended 30 September* 2010 AED'000	*Three months ended 30 September* 2009 AED'000	*Nine months ended 30 September* 2010 AED'000	*Nine months ended 30 September* 2009 AED'000
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium receivable		235,017	226,671	845,234	777,539
Movement in provision for unearned premium		(1,724)	(10,963)	(24,913)	(32,887)
Insurance premium revenue		233,293	215,708	820,321	744,652
Less: **Reinsurers' share of premium**					
Insurance contracts premium receivable		168,167	169,123	619,261	564,365
Movement in provision for unearned premium		3,719	(12,953)	(18,397)	(30,638)
		171,886	156,170	600,864	533,727
Net insurance premium revenue		61,407	59,538	219,457	210,925
Commission income		29,909	23,982	87,851	78,406
		91,316	83,520	307,308	289,331
UNDERWRITING EXPENSES					
Claims paid		113,094	132,192	370,048	412,322
Less: re-insurance share		(85,260)	(101,941)	(287,161)	(316,221)
Net claims		27,834	30,251	82,887	96,101
(Decrease) increase in outstanding claims		(1,584)	(2,747)	2,109	7,502
Claims incurred		26,250	27,504	84,996	103,603
Commission expenses		19,651	14,903	53,596	46,720
General and administration		19,196	16,105	58,873	46,495
		65,097	58,512	197,465	196,818
NET UNDERWRITING INCOME		26,219	25,008	109,843	92,513
INVESTMENT INCOME					
Interest income		10,504	11,849	30,297	30,929
Rental and other income		5,563	5,382	16,129	19,116
Fair value gain on investments at fair value through profit or loss		2,188	1,521	813	4,459
Gain on sale of available for sale securities		-	-	-	1,167
		18,255	18,752	47,239	55,671
Share of associate's profit		1,646	1,257	3,054	2,423
PROFIT FOR THE PERIOD		46,120	45,017	160,136	150,607
Attributable to:					
Equity holders of the parent		47,068	45,181	161,080	150,834
Non-controlling interests		(948)	(164)	(944)	(227)
		46,120	45,017	160,136	150,607
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	3	15.69	15.01	53.69	50.20

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010 (Unaudited)

	Three months ended 30 September		*Nine months ended 30 September*	
	2010 AED'000	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*
Profit for the period	**46,120**	45,017	**160,136**	150,607
Other comprehensive income				
Exchange differences on translation of foreign operations	**(50)**	820	**(821)**	820
Net unrealised gain / (losses) on available for sale investments	**994**	(1,827)	**(201)**	(605)
Total comprehensive income for the period	**47,064**	44,010	**159,114**	150,822
Attributable to:				
Equity holders of parent	**48,012**	44,174	**160,058**	151,049
Non- controlling interests	**(948)**	(164)	**(944)**	(227)
	47,064	44,010	**159,114**	150,822

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For nine months ended 30 September 2010 (Unaudited)

	Nine months ended 30 September	
	2010 *AED'000*	*2009* *AED'000*
OPERATING ACTIVITIES		
Profit for the period	160,136	150,607
Adjustments for:		
Depreciation	1,322	1,037
Gain on sale of office equipment and vehicles	(102)	(65)
Interest income	(30,297)	(30,929)
Rental income	(16,129)	(19,116)
Share of associate's profit	(3,054)	(2,423)
Gain on sale of available for sale investments	-	(1,167)
Changes in fair value of investments at fair value through profit or loss	(813)	(4,459)
Operating profit before changes in operating assets and liabilities	111,063	93,485
Receivables arising from insurance and reinsurance contracts	(69,503)	1,657
Re-insurers' share of outstanding claims	(28,928)	33,588
Movement in unearned premium	6,517	2,249
Prepayments and other receivables	(18,954)	(28,700)
Outstanding claims	25,730	(26,086)
Reinsurance balances payable	36,383	(13,353)
Other payables and accruals	5,837	12,429
Net cash from operating activities	68,145	75,269
INVESTING ACTIVITIES		
Purchase of office equipment and vehicles	(1,584)	(1,837)
Proceeds from sale of office equipment and vehicles	553	328
Interest income	30,297	30,929
Bank deposits	(8,591)	(60,000)
Rental income	16,129	19,116
Purchase of investments at fair value through profit or loss	(477)	(8,266)
Sale of available for sale investments	-	3,392
Net cash from (used in) investing activities	36,327	(16,338)
FINANCING ACTIVITIES		
Dividend paid	(60,000)	(50,000)
Non-controlling interests	-	13,140
Net cash used in financing activities	(60,000)	(36,860)
INCREASE IN CASH AND CASH EQUIVALENTS	44,472	22,071
Cash and cash equivalents at 1 January	35,468	61,045
Movement in foreign currency translation reserve	(821)	820
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	79,119	83,936

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2010 (Unaudited)

	Attributable to equity holders 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	-	-	-	-	-	161,080	-	-	-	161,080	(944)	160,136
Other comprehensive income for the period	-	-	-	-	-	-	-	(201)	(821)	(1,022)	-	(1,022)
Total comprehensive income for the period	-	-	-	-	-	161,080	-	(201)	(821)	160,058	(944)	159,114
Dividend paid	-	-	-	-	-	-	(60,000)	-	-	(60,000)	-	(60,000)
At 30 September 2010	**300,000**	**75,000**	**91,682**	**67,157**	**142,132**	**161,230**	**-**	**(1,178)**	**(487)**	**835,536**	**11,914**	**847,450**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2010 (Unaudited)

	Attributable to equityholders 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 2009	250,000	62,500	73,051	55,880	108,240	139	50,000	-	-	599,810	-	599,810
Issue of shares	-	-	-	-	-	-	-	-	-	-	13,140	13,140
Profit for the period	-	-	-	-	-	150,834	-	-	-	150,834	(227)	150,607
Other comprehensive income for the period	-	-	-	-	-	-	-	(605)	820	215	-	215
Total comprehensive income for the period	-	-	-	-	-	150,834	-	(605)	820	151,049	(227)	150,822
Transfers	50,000	-	-	-	(50,000)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(50,000)	-	-	(50,000)	-	(50,000)
At 30 September 2009	300,000	62,500	73,051	55,880	58,240	150,973	-	(605)	820	700,859	12,913	713,772

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 risks (included within 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 and Oman. During April 2009, the Company established a subsidiary company in Egypt.

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 ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial information of the Group is prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009, except as noted below.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2010.

IFRS 1 and IAS 27, Cost of an investment in a subsidiary, jointly-controlled entity or associate
The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

IFRS 3, 'Business combinations'
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 27, 'Consolidated and separate financial statements'
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

2 ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'
The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

The adoption of these standards did not have any impact on the interim condensed consolidated financial statements of the Group or its financial performance for the current period.

Improvements to IFRS
'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

Interim reporting
The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009. In addition, results for the nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 BASIC AND DILUTED EARNINGS PER SHARE

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

No figure for diluted earnings has been presented because the Group has not issued any instrument which would have an impact on earnings per share when exercised.

4 INVESTMENT PROPERTY

	30 September 2010 AED'000	*Audited 31 December 2009 AED'000*	*30 September 2009 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 comprehensive income in the period in which it is incurred.

No depreciation is charged on freehold land.

5 INVESTMENT IN ASSOCIATED COMPANY

	30 September 2010 AED'000	Audited 31 December 2009 AED'000	30 September 2009 AED'000
Shares at cost	**24,351**	24,351	24,351
The Group's share of post acquisition reserves:			
At 1 January	**5,637**	2,790	2,790
Share of results for the period	**3,054**	2,847	2,423
Balance at period end	**8,691**	5,637	5,213
Investment in net equity at period end	**33,042**	29,988	29,564

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 Company's interest in the associate.

6 INVESTMENT SECURITIES

	30 September 2010 AED'000	Audited 31 December 2009 AED'000	30 September 2009 AED'000
Investments carried at fair value through profit or loss			
Managed portfolios			
- within UAE	**3,037**	1,820	1,952
- outside UAE	**17,696**	17,664	18,569
	20,733	19,484	20,521
Held for trading – Quoted shares (within UAE)	**6,052**	6,011	6,650
	26,785	25,495	27,171
Available for sale investments			
Debt			
Quoted (within UAE)	**8,100**	8,030	7,300
Equity			
Quoted (within UAE)	**3,720**	3,991	5,093
Unquoted (within UAE)	**24,377**	24,377	21,463
	36,197	36,398	33,856
	62,982	61,893	61,027

6 INVESTMENT SECURITIES (continued)

All investment securities are initially recognised at cost, being the fair value of the consideration given (including acquisition costs in the case of available for sale investments).

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

Available for sale investments
After initial recognition, securities which are classified as "available-for-sale" are remeasured at fair value. Unrealised gains or losses are reported as a separate component of equity until the security is derecognised or until the security is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the statement of comprehensive 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

Included in deposit with banks are AED 10,000,000, AED 14,100,450 and AED 477,500 representing statutory deposits that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of the UAE Federal Law No. 6 of 2007, the Insurance Company Law of the Sultanate of Oman and Omani Unified Bureau for the orange Card (SAOC), respectively.

Except for the statutory deposits of AED 14,100,450 and AED 477,500 as stated above, the balance of deposits with banks is within United Arab Emirates and Egypt.

8 SHARE CAPITAL

	30 September 2010 AED'000	*Audited 31 December 2009 AED'000*	*30 September 2009 AED'000*
Issued and fully paid- shares of AED 100 each	**300,000**	300,000	300,000

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 nine month period to 30 September 2010, 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.

9 RESERVES (continued)

- **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 nine month period to 30 September 2010, 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.

- **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 nine month period to 30 September 2010, 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 nine month period to 30 September 2010, 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 OPERATING SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Company 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.

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

	Nine months ended 30 September					
	General insurance		*Life insurance*		*Total*	
	2010 AED'000	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*
TOTAL UNDERWRITING INCOME	**280,108**	263,589	**27,200**	25,742	**307,308**	289,331
NET UNDERWRITING INCOME	**99,176**	86,761	**10,667**	5,752	**109,843**	92,513
TOTAL INVESTMENT INCOME					**47,239**	55,671
Share of associates' profit					**3,054**	2,423
PROFIT FOR THE PERIOD					**160,136**	150,607

10 OPERATING SEGMENT INFORMATION (continued)

Geographic information
The Company is organized as one geographical segment and operates in United Arab Emirates.

11 CONTINGENT LIABILITIES

	30 September 2010 AED'000	*Audited 31 December 2009 AED'000*	*30 September 2009 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**1,700**	5,793	4,072

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

	30 September 2010 AED'000	*Audited 31 December 2009 AED'000*	*30 September 2009 AED'000*
Commitments			
Commitment for investments	**33,343**	33,343	35,706
Uncalled capital of subsidiary	**19,467**	19,710	19,710
	52,810	53,053	55,416