

**UNION INSURANCE COMPANY P.S.C.
AJMAN - UNITED ARAB EMIRATES**

**INTERIM FINANCIAL INFORMATION
AND REVIEW REPORT
FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2009**

**Union Insurance Company P.S.C.
Ajman - United Arab Emirates**

**Interim Financial Information and Review Report
For the Three Month Period Ended March 31, 2009**

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Ref: 31129FS09-Mar

Report on Review of Interim Financial Information

The Board of Directors
Union Insurance Company P.S.C.
Ajman - United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Union Insurance Company P.S.C. (a Public Shareholding Company) - Ajman, United Arab Emirates**, as of March 31, 2009 and the related condensed statements of income, comprehensive income, 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 this interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

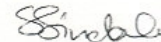
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Conclusion

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

Sharjah
April 30, 2009

For Deloitte & Touche



Saba Y. Sindaha
Partner
(Registration No. 410)

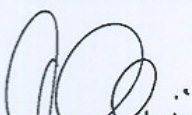
Union Insurance Company P.S.C.
Ajman - United Arab Emirates


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Condensed Statement of Financial Position
At March 31, 2009
(In Arab Emirates Dirhams)

	Notes	March 31, 2009 Unaudited	December 31, 2008 Audited
ASSETS			
Current assets			
Bank balances and cash	4	42,095,819	45,088,001
Investments held for trading	5	81,367,286	112,746,556
Insurance and other receivables		39,593,848	38,317,985
Reinsurance contract assets	6	27,355,906	13,964,909
Total current assets		190,412,859	210,117,451
Non-current assets			
Available-for-sale investments	5	75,934,117	92,974,743
Development work-in-progress	7	148,000,000	135,670,000
Investment property	8	73,574,957	73,574,957
Property and equipment	9	2,402,689	2,307,245
Total non-current assets		299,911,763	304,526,945
Total Assets		490,324,622	514,644,396
LIABILITIES AND EQUITY			
Current liabilities			
Insurance and other payables		22,081,485	20,525,640
Insurance contract liabilities	6	66,691,152	51,515,861
Total current liabilities		88,772,637	72,041,501
Non-current liabilities			
Provision for employees' end of service indemnity		878,663	834,855
Total Liabilities		89,651,300	72,876,356
Capital and reserves			
Share capital	10	330,939,180	330,939,180
Statutory reserve		104,785,032	104,785,032
Special reserve		28,414,452	28,414,452
Cumulative changes in fair value		(20,714,696)	(6,441,959)
Accumulated losses		(42,750,646)	(15,928,665)
Total Equity		400,673,322	441,768,040
Total Liabilities and Equity		490,324,622	514,644,396

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


Abdulla Hamad Al Mazroui
Chairman


Samer S Bushnan
General Manager

Condensed Statement of Income
For the Three Month Period Ended March 31, 2009
(In Arab Emirates Dirhams)

	Notes	Three Month Period Ended March 31,	
		2009 Unaudited	2008 Unaudited
Insurance premium revenue	11	17,688,802	11,519,077
Reinsurance premium ceded	11	(3,161,099)	(3,545,088)
Net insurance premium revenue	11	14,527,703	7,973,989
Gross claims incurred		(22,636,486)	(7,400,118)
Insurance claims recovered from reinsurers		<u>14,808,975</u>	<u>3,277,481</u>
Net claims incurred		(7,827,511)	(4,122,637)
Gross commission earned		776,339	1,255,848
Less: commission incurred		(1,542,651)	(871,068)
Net commission (incurred)/earned		(766,312)	384,780
Underwriting profit		5,933,880	4,236,132
General and administrative expenses relating to underwriting activities		(2,592,172)	(2,228,557)
Net underwriting profit before management fees		3,341,708	2,007,575
Management fees		(803,664)	(144,498)
Net underwriting profit		2,538,044	1,863,077
Investment and other (losses)/revenues		(28,902,583)	35,025,716
Unallocated general and administrative expenses		(457,442)	(537,771)
(Loss)/profit for the period		(26,821,981)	36,351,022
Basic earnings per share	12	(0.08)	0.11

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

**Condensed Statement of Comprehensive Income
For the Three Month Period Ended March 31, 2009
(In Arab Emirates Dirhams)**

	Three Month Period Ended March 31,	
	2009	2008
	Unaudited	Unaudited
(Loss)/profit for the period	(26,821,981)	<u>36,351,022</u>
Other comprehensive income		
Net (loss)/gain on available-for-sale investment recognised directly in equity	(14,272,737)	3,972,369
Transfer to profit or loss on sale of available-for-sale investment	-	(349,508)
Board of Directors remuneration	-	<u>(700,000)</u>
Other comprehensive (loss)/ income for the period	(14,272,737)	<u>2,922,861</u>
Total comprehensive (loss)/income for the period	(41,094,718)	<u>39,273,883</u>
	=====	=====

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

Union Insurance Company P.S.C.
Ajman - United Arab Emirates

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Condensed Statement of Changes in Equity
For the Three Month Period Ended March 31, 2009
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Special reserve</u>	<u>Cumulative changes in fair value</u>	<u>(Accumulated losses)/ retained earnings</u>	<u>Total</u>
Balance at December 31 2007 (Audited)	221,364,000	28,414,452	28,414,452	18,662,806	80,734,262	377,589,972
Gain on available-for-sale investments recognised directly in equity	-	-	-	3,972,369	-	3,972,369
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	(349,508)	-	(349,508)
Profit for the period	-	-	-	-	36,351,022	36,351,022
Board of Directors remuneration	-	-	-	-	(700,000)	(700,000)
Total comprehensive income for the period	-	-	-	3,622,861	35,651,022	39,273,883
Issue of bonus shares	33,204,600	-	-	-	(33,204,600)	-
Dividends	-	-	-	-	(22,136,400)	(22,136,400)
	<u>33,204,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,341,000)</u>	<u>(22,136,400)</u>
Balance at March 31, 2008 (Unaudited)	254,568,600	28,414,452	28,414,452	22,285,667	61,044,284	394,727,455
	=====	=====	=====	=====	=====	=====
Balance at December 31, 2008 (Audited)	330,939,180	104,785,032	28,414,452	(6,441,959)	(15,928,665)	441,768,040
Loss on available-for-sale investments recognised directly in equity	-	-	-	(14,272,737)	-	(14,272,737)
Loss for the period	-	-	-	-	(26,821,981)	(26,821,981)
Total comprehensive loss for the period	-	-	-	(14,272,737)	(26,821,981)	(41,094,718)
Balance at March 31, 2009 (Unaudited)	330,939,180	104,785,032	28,414,452	(20,714,696)	(42,750,646)	(400,673,322)
	=====	=====	=====	=====	=====	=====

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

Condensed Statement of Cash Flows
For the Three Month Period Ended March 31, 2009
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2009	Three month period ended March 31, 2008
	<u>Unaudited</u>	<u>Unaudited</u>
Operating activities		
(Loss)/profit for the period	(26,821,981)	36,351,022
Adjustments for:		
Depreciation of property and equipment	59,353	48,935
Decrease in reinsurance contract assets	(13,390,997)	(625,022)
Increase in insurance contract liabilities	15,175,291	3,351,761
Provision for employees' end of service indemnity	48,528	132,931
Impairment loss on available-for-sale investments	517,891	-
Unrealised loss/(gain) on investments held for trading	29,659,070	(26,716,134)
Net foreign exchange loss	1,019,778	-
Investments revenues	(2,294,156)	(8,309,582)
Operating cash flows before movements in working capital	3,972,777	4,233,911
Increase in insurance and other receivables	(1,275,863)	(1,115,444)
Increase/(decrease) in insurance and other payables	<u>1,555,845</u>	<u>(6,650,871)</u>
Cash generated from/(used in) operations	4,252,759	(3,532,404)
Employees' end of service indemnity paid	(4,720)	(362,122)
Net cash generated from/(used in) operating activities	<u>4,248,039</u>	<u>(3,894,526)</u>
Investing activities		
Purchase of property and equipment	(162,218)	(4,001,556)
Increase in development work-in-progress	(12,330,000)	-
Purchase of available-for-sale investments	(1,980,461)	(12,280,647)
Purchase of investments held for trading	-	(50,860,334)
Proceeds on disposal of property and equipment	7,421	-
Proceeds on disposal of investments held for trading	1,312,191	9,837,217
Proceeds from disposal of available-for-sale investments	4,218,337	6,206,854
Interest received	294,238	565,044
Dividends received	781,879	5,919,546
Income from investment property	<u>1,638,170</u>	<u>1,440,980</u>
Net cash used in investing activities	<u>(6,220,443)</u>	<u>(43,172,896)</u>
Financing activities		
Board of directors' remuneration paid	-	(700,000)
Dividends paid	<u>-</u>	<u>(25,272)</u>
Net cash used in financing activities	<u>-</u>	<u>(725,272)</u>
Net decrease in cash and cash equivalents	(1,972,404)	(47,792,694)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,019,778)	-
Cash and cash equivalents at the beginning of the period	<u>40,588,001</u>	<u>102,378,776</u>
Cash and cash equivalents at the end of the period (see Note 13)	<u>37,595,819</u>	<u>54,586,082</u>

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

Notes to the Interim Financial Information
For the Three Month Period Ended March 31, 2009

1. General information

Union Insurance Company P.S.C. - Ajman (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Ajman Municipality. The Company is subject to the regulations of U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents, and is registered with U.A.E. Ministry of Economy in the Insurance Companies Register under registration number 67. The address of the Company's registered corporate office is Union Insurance Building, P. O. Box 1225, Ajman, United Arab Emirates.

The principal activity of the Company is the writing of insurance of all types other than life assurance. The Company operates through its Head Office in Ajman and a Branch Office in Dubai.

The Company is managed by Al Sagr Insurance Co. P.S.C. (a related party) through a management agreement valid for a period of ten years from February 20, 2008 to February 19, 2018. The management fees due to Al Sagr Insurance Co. P.S.C. on account of the above is 23% of net underwriting profit after allocation of 80% of general and administrative expenses to underwriting activities.

2. Basis of preparation

This interim financial information is prepared in accordance with 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 financial information is prepared in accordance with the historical cost basis, except for the revaluation financial instruments and investment property. The interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

This interim financial information do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended December 31, 2008. In addition, results for the 3 months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2009.

(a) Estimates

The preparation of interim financial information require management to make judgements, 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 this interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements as at and for the year ended December 31, 2008.

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

2. Basis of preparation (continued)

(b) Management of insurance and financial risk

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended December 31, 2008.

3. Accounting policies

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the annual audited consolidated financial statements for the year ended December 31, 2008, except for the impact of the adoption of the IAS 1 – Presentation of financial statements. This revised standard has introduced a number of terminology changes (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 Company.

The accounting policies in respect of investment property, investment in securities and property and equipment disclosed in the annual audited financial statements are stated below as required by Securities and Commodities Authority notification dated October 12, 2008:

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the date of statement of financial position. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss.

Investment in securities

Investment in securities of the Company are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments of the Company are classified as either as 'at fair value through profit or loss' (FVTPL) – held for trading or as available-for-sale (AFS).

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

3. Accounting policies (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short- term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

AFS financial assets

AFS financial assets comprise listed shares held by the Company traded in an active market and are stated at fair value. Gains and losses arising from the changes in the fair value are recognised directly in the equity in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the cumulative changes in fair value is included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the date of statement of financial position. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Property and equipment

Land is not depreciated.

Capital work-in-progress is stated at cost less any identified impairment losses.

Other property and equipment are carried at cost less accumulated depreciation and any identified impairment losses. Depreciation is charged so as to write off the cost of assets, other than land and capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

4. Bank balances and cash

	March 31, 2009	December 31, 2008
	Unaudited AED	Audited AED
Cash on hand	<u>22,000</u>	<u>22,000</u>
Bank balances:		
Current accounts	7,082,916	7,242,454
Call account	18,790,903	815,077
Fixed deposits	<u>16,200,000</u>	<u>37,008,470</u>
	<u>42,073,819</u>	<u>45,066,001</u>
	<u>42,095,819</u>	45,088,001
	=====	=====
Bank balances:		
In U.A.E.	20,830,552	23,891,839
In other G.C.C. countries	<u>21,243,267</u>	<u>21,174,162</u>
	<u>42,073,819</u>	45,066,001
	=====	=====

Fixed deposits include a statutory deposit of AED 4.5 million (December 31, 2008: AED 4.5 million) maintained in accordance with the requirements of U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents, which cannot be withdrawn without the prior consent of the U.A.E. Ministry of Economy.

5. Investment in securities

Investment in securities comprise the following:

	March 31, 2009	December 31, 2008
	Unaudited AED	Audited AED
Held for trading:		
In U.A.E.	28,222,458	45,653,418
In other G.C.C. countries	<u>53,144,828</u>	<u>67,093,138</u>
	<u>81,367,286</u>	112,746,556
	=====	=====

Available-for-sale investments are held in listed entities in U.A.E.

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

6. Insurance contract liabilities and re-insurance contract assets

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	Unaudited	Audited
	AED	AED
Gross		
Insurance liabilities		
Claims reported unsettled	26,775,678	16,749,875
Claims incurred but not reported	2,677,568	1,674,987
Unearned premiums	<u>37,237,906</u>	<u>33,090,999</u>
Total insurance contract liabilities, gross	<u>66,691,152</u>	<u>51,515,861</u>
Recoverable from reinsurers		
Claims reported unsettled	19,097,871	6,972,169
Claims incurred but not reported	1,909,787	697,217
Unearned premiums	<u>6,348,248</u>	<u>6,295,523</u>
Total reinsurers' share of insurance liabilities	<u>27,355,906</u>	<u>13,964,909</u>
Net		
Claims reported unsettled	7,677,807	9,777,706
Claims incurred but not reported	767,781	977,770
Unearned premiums	<u>30,889,658</u>	<u>26,795,476</u>
	<u>39,335,246</u>	<u>37,550,952</u>
	=====	=====

7. Development work-in-progress

Development work-in-progress represent payments made for acquiring 10% investment in the Meyden Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment (P.S.C.), a related party who is acting as custodian of the Company's share of investment in the project.

As on March 31, 2009, work on the project has not started. The title deed of the land for the project has not been transferred to the related party or to Company as at that date.

8. Investment property

Investment property represents the fair value of the properties located in U.A.E.

The Company has pledged investment property amounting to AED 25 million (December 31, 2008: AED 25 million) to a bank against facilities granted to the Company.

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

9. Property and equipment

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	Unaudited AED	Audited AED
Cost	4,040,314	3,915,596
Accumulated depreciation	(1,637,625)	(1,608,351)
Carrying amount	<u>2,402,689</u>	<u>2,307,245</u>

All properties and equipments are located in U.A.E.

10. Share capital

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	Unaudited AED	Audited AED
Issued and fully paid: 330,939,180 ordinary shares of AED 1 each	<u>330,939,180</u>	<u>330,939,180</u>

11. Net insurance premium revenue

	<u>Three month period</u> <u>ended March 31,</u>	
	<u>2009</u>	<u>2008</u>
	Unaudited AED	Unaudited AED
Gross premium written		
Gross premium written	21,835,709	13,839,458
Change in unearned premium	(4,146,907)	(2,320,381)
	<u>17,688,802</u>	<u>11,519,077</u>
Reinsurance premium ceded		
Reinsurance premium ceded	(3,213,824)	(3,138,753)
Change in unearned premium	<u>52,725</u>	(406,335)
	<u>(3,161,099)</u>	<u>(3,545,088)</u>
Net insurance premium revenue	<u>14,527,703</u>	<u>7,973,989</u>

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

12. Basic earnings per share

	Three month period ended March 31,	
	2009	2008
	Unaudited	Unaudited
(Loss)/profit for the period (in AED)	(26,821,981)	36,351,022
Weighted average number of shares	330,939,180	330,939,180
Basic (loss)/earnings per share (in AED)	(0.08)	0.11

The denominator for the purpose of calculating basic earnings per share for 2008 has been adjusted to reflect the capitalisation issue of 76,370,580 shares issued through conversion.

13. Cash and cash equivalents

	March 31,	
	2009	2008
	Unaudited	Unaudited
	AED	AED
Bank balances and cash	42,095,819	59,086,082
Statutory deposit	(4,500,000)	(4,500,000)
	37,595,819	54,586,082

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

14. Related party transactions

At the statement of financial position due from/to related parties were as follows:

	March 31, 2009	December 31,
	Unaudited	2008
	AED	Audited
		AED
Due from policy holders	1,621,371	1,995,587
Gross outstanding claims	1,996,427	388,055
Notes receivable – post dated cheques	13,850,000	13,850,000

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

Transactions:

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

	Three month period ended March 31,	
	2009	2008
	Unaudited	Unaudited
	AED	AED
Gross premium	639,995	1,195,867
Claims paid	228,552	179,833
Management fees	803,664	144,498

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

Compensation of board of directors/key management personnel

	Three month period ended March 31,	
	2009	2008
	Unaudited	Unaudited
	AED	AED
Short-term benefits	201,741	415,941
Long-term benefits	4,229	7,138
Board of directors' remuneration	-	700,000

Notes to the Interim Financial Information (continued)
For the Three Month Period Ended March 31, 2009

15. Capital commitments

	March 31, 2009	December 31,
	Unaudited	<u>2008</u>
	AED	Audited
		AED
Commitment for the construction of development properties	58,900,000	58,900,000

16. Approval of interim financial information

The interim financial information were approved and authorised for issue on April 30, 2009.

17. Comparative amounts

Certain amounts for the prior periods were reclassified to conform to current period presentation.