Business Tribune
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Opec raises oil demand forecast for next year

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Sensex rallies 2.5% to 16,849 points on IT, metal stocks

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War of words over credibility

Row over reputation issue likely to end in court

Mahmood Rafique

The row over 'reputation and business ethics' for the candidates of the upcoming Bahrain Chamber of Commerce and Industry (BCCI) elections is likely to be ended in the court of law.

Mohammed Sajid Shaikh, a candidate for the upcoming BCCI elections, said that he would serve a legal notice on Dr. Taqi Al Zeera for making insulting remarks during the election committee meeting on Tuesday.

While, Dr. Al Zeera said that he would seek a freeze on the membership of Sajid Shaikh according to Article 35 of the BCCI Law.

"The Kingdom of Bahrain as a model democracy offers equal opportunities and privileges to all its citizens without any discrimination," Sajid said in a statement.

"The private sector has been and will continue to lead the economic development in the Kingdom," Mohammed Sajid Shaikh, a leading businessman and a candidate for the upcoming BCCI elections said.

"I belong to a well-respected group of companies which has played an active role in developing the tourism, leisure and trade sectors," he added, while responding to accusations levelled against his candidature by Dr. Taqi Zeera.

BRIEFING: The BCCI board member Jawad Al Hawaj and other members being briefed about the polling booth facilities for the BCCI elections set for November 16.

"The hotel and leisure sector is a vital pillar of the national economy and our group has never indulged in any illegal business. We are running four star properties in accordance with the Ministry of Tourism and Information guidelines," he said.

It came to me as a surprise, Sajid said, that a fellow contestant has questioned my integrity.

"Members of the business community should respect their colleagues and should not make false accusations to promote their own political agenda," Sajid said. It is sad to see a man vying for a position of such a responsibility indulging himself in dirty politics and resorting to petty tactics.

"This kind of open and blatant discrimination does not go well for Bahrain's reputation as a modern and open-minded economy.

"With regards to his allegations of there being 'several' lawsuits against me, I challenge Dr. Al Zeera to prove even one case that has been registered against me in criminal courts or to even prove any conviction in the civil courts because of my alleged 'unethical business practices'. I assure Dr. Zeera that I went through the same process and scrutiny as he did in front of the selection committee to compete for the BCCI elections and nothing was 'overlooked' by the selection committee during this process.

"We should follow in Singapore's footsteps, where you will find people from all nationalities and different backgrounds. They do not consider themselves as Malaysians, Indians or Chinese but instead all consider themselves Singaporeans and work together in harmony for the development of their country.

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Hedge fund industry takes $800b hit in '09

Mahmood Rafique

The global financial meltdown has left a big scar on the face of hedge fund industry as the crisis erased almost 30 per cent to 40 per cent of funds bringing the $2 trillion global hedge fund industry to $1.2 trillion by the end of Q3 of 2009, an expert said.

"The financial crisis is seen as an eye-opener for the hedge fund industry managers as well as investors. There is a need for innovation and launch of more products with relatively less risk factors associated to them. Immediate steps are needed to get the level of confidence of investors back to the levels of pre-crisis era," said Michael W Azlen, Chief Executive Officer at UK-based Frontier Capital Management.

Michael, who also addressed and participated in the debates of the two-day Middle East Investment Summit, which concluded at the Ritz Carlton Hotel yesterday, said the crisis had drastically reduced the total number of hedge fund managers worldwide.

"In the pre-crisis era the total number of hedge fund managers was around 7,000 worldwide which has been reduced to 4,500, sending a stark warning to the industry players of this segment of the global economy.

It is very difficult, Michael added, to forecast about the future of hedge fund industry, but there will be more opportunities once the things start getting better on the global map.

"It is important for investors to realise that the current environment presents substantial opportunities for hedge fund managers," said Mahmood Al Khawaja, CEO of Capintro Partners.

"A new study by Capintro Partners, analysing the impact of the events of 2008 on the hedge fund industry, indicates that the crisis may have led to structural changes which could benefit hedge funds," he said.

"The report makes a compelling case for having hedge funds as a strategic long-term investment within a diversified portfolio. We identified five key changes in the industry and how these changes offer opportunities.

"Assets in the industry have substantially declined due to investor redemptions, weak performance and flight to quality. The reduction in assets allows for outsized positive performance due to reduced competition among hedge fund managers within the same strategy. "The number of managers in the industry has also decreased, further reducing competition leading to wider spreads and an opportunity for larger gains.

"Hedge funds have historically outperformed post-crisis and have performed well preserving capital throughout historical crisis events.

"Hedge fund returns have varied more widely causing dispersion among manager returns to increase and correlation among managers and hedge fund strategies to decrease. This allows for greater diversification benefits to investors and leads to higher risk adjusted returns."

"In order to attract new assets, managers are offering investors various incentives that may include access to closed funds, higher levels of liquidity, greater transparency and or reduced fees. Strategies that trade liquid securities and are able to take advantage of the volatility in global markets will be better positioned to outperform," he said.

"Our objective is to help uncover these opportunities, specifically in the aftermath of the events of 2008 and the massive de-leveraging that took place within the financial system," he added.

Arig back in black, posts $16.9m profit

K.V.S. Madhav

Making a major turnaround and returning to profitability, regional re-insurance major, Arab Insurance Group (Arig) said yesterday it posted a net profit of $16.9 million for the first nine months of the fiscal bolstered by 'solid returns' from its reinsurance activities and investments. In comparison, it had suffered a loss of $10.8 million at the end of the corresponding period last year.

Following a full-year loss in 2008, Arig returned to profitability in the first-quarter of the fiscal with a net profit of $1.5 million (Q1-2008: $3 million) backed by strong technical result of $8.6 million (Q1-2008: $3.3 million) across its reinsurance portfolio, before experiencing a drop in profit for the first-half of the fiscal. The insurer recorded net profit of $8.8 million for the first-half of the current fiscal, down form $11.4 million in the corresponding period last year.

At the end of the third-quarter this fiscal, a buoyed Arig said reinsurance operations returned $7.4 million for the period against a loss of $7.7 million for the same period last year.

"Changes in the global financial markets pushed earnings from investments to $26.8 million compared to a loss of $6.4 million after the third-quarter of 2008 – mostly as a result of the large correction in market values of the equities held by Arig at the time," the insurer said.

Net earnings for the third-quarter alone amounted to $8.1 million (2008: loss of $22.3 million).

Non-life classes continued to perform well showing an improved combined ratio of 95.1 per cent (same period 2008: 97 per cent. The group's reinsurance portfolio reached $247.3 million for the nine-month period, up by 3.4 per cent from the previous year (first three quarters 2008: $239.1 million), the insurer said.

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CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (Reviewed)

arig
ARAB INSURANCE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)

	30 September 2009 (reviewed)	31 December 2008 (audited)	30 September 2008 (reviewed)
ASSETS			
Cash and cash equivalents	340,704	402,949	401,274
Investments	316,045	271,948	289,439
Accrued income	150,732	102,837	118,658
Insurance receivables	67,304	63,646	67,908
Insurance deposits	64,285	62,341	59,129
Deferred policy acquisition costs	29,679	28,296	26,554
Reinsurers' share of technical provisions	60,471	67,577	71,964
Other assets	28,473	22,977	27,788
Takaful participants' assets	71,635	42,150	51,760
Property and equipment	27,796	28,126	26,356
	1,157,374	1,092,887	1,142,441
LIABILITIES			
Technical provisions	665,169	592,312	621,882
Insurance payables	30,401	34,922	27,518
Borrowings	12,706	68,384	67,872
Other liabilities	54,774	49,575	53,177
Takaful fund and participants' liabilities	71,835	42,190	51,160
	834,885	787,383	822,212
EQUITY			
Attributable to shareholders of Parent Company			
Share capital	220,000	220,000	220,000
Treasury stock	(8,001)	(7,889)	(7,889)
Reserves	39,482	33,045	36,976
Retained earnings (accumulated deficit)	11,640	(5,577)	12,962
	263,121	239,579	261,973
Non-controlling interests	59,368	65,955	58,856
	322,489	299,534	320,229
	1,157,374	1,092,887	1,142,441

CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)

	For the three months ended 30 September 2009 (reviewed)	For the three months ended 30 September 2008 (reviewed)	For the financial year-to-date 30 September 2009 (reviewed)	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
Gross premiums written	84,254	55,124	247,271	239,098	286,694
Net earned premiums	75,817	56,127	196,336	182,350	255,042
Claims and related expenses	(58,804)	(47,761)	(144,321)	(140,924)	(194,677)
Policy acquisition costs	(18,004)	(12,663)	(40,777)	(34,186)	(51,389)
Investment income (loss) attributable to insurance funds	4,484	(6,769)	11,637	(181)	(7,888)
Operating expenses	(5,237)	(5,437)	(15,463)	(14,749)	(17,864)
Underwriting result	1,176	(11,402)	7,392	(7,690)	(15,867)
Investment income (loss) attributable to shareholders' funds	6,899	(14,983)	15,125	(3,231)	(18,456)
Operating expenses – non underwriting activities	(3,264)	(3,415)	(10,688)	(10,977)	(14,538)
Borrowing Cost	(109)	(516)	(919)	(1,638)	(2,151)
Other income	5,895	4,623	10,491	14,177	20,816
Other expenses and provisions	(570)	(352)	(1,067)	(850)	(3,104)
Profit (loss) for the period	9,977	(26,043)	20,314	(13,209)	(33,292)
Attributable to :					
Non-controlling interests	1,860	(3,772)	3,370	(2,375)	(4,724)
Shareholders of Parent Company	8,117	(22,273)	16,944	(13,834)	(28,568)
	9,977	(26,043)	20,314	(13,209)	(33,292)
Earnings (loss) per share attributable to shareholders: USD			0.59	0.05	(0.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)

	For the three months ended 30 September 2009 (reviewed)	For the three months ended 30 September 2008 (reviewed)	For the financial year-to-date 30 September 2009 (reviewed)	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
Profit (loss) for the period	9,977	(26,043)	20,314	(13,209)	(33,292)
Other comprehensive income					
Changes on remeasurement of available for sale investments	3,541	(4,212)	5,829	(5,217)	(10,738)
Transfers for recognition of gains (losses) on disposal of available for sale investments	1,396	(1,423)	1,264	(2,159)	(2,055)
Other comprehensive income (loss) for the period	4,937	(5,635)	7,093	(9,376)	(12,793)
Total comprehensive income (loss) for the period	14,914	(31,680)	27,407	(21,585)	(46,085)
Attributable to :					
Non-controlling interests	2,020	(3,887)	3,753	(2,585)	(5,495)
Shareholders of Parent Company	12,885	(27,793)	23,654	(19,000)	(40,570)
	14,914	(31,680)	27,407	(21,585)	(46,085)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)

	For the financial year-to-date 30 September 2009 (reviewed)	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Premiums received	189,154	184,360	247,141
Reinsurance premiums paid	(7,172)	(10,753)	(15,487)
Claims paid	(167,275)	(151,373)	(203,290)
Reinsurance receipts in respect of claims	5,328	6,232	8,443
Investment income received	12,034	135	4,325
Interest received	5,863	12,386	16,993
Dividends received	1,356	1,422	1,861
Interest paid	(1,581)	(2,276)	(2,275)
Operating expenses paid	(15,548)	(24,234)	(27,700)
Other income/expenses, net	1,810	5,753	7,166
Insurance deposits paid	(1,825)	(4,563)	(7,936)
Purchase of trading investments	(89,914)	(179,660)	(207,727)
Sale of trading investments	71,658	201,441	223,000
Directors' remuneration paid	-	(1,026)	(1,026)
Net cash provided by operating activities	3,485	38,014	47,480
CASH FLOWS FROM INVESTING ACTIVITIES:			
Maturity/sale of investments	133,128	52,653	90,716
Purchase of investments	(146,661)	(76,939)	(123,124)
Interest received	5,901	5,813	6,544
Dividends Received	697	1,557	1,595
Investment income received	168	130	1,127
Collateralised cash deposits (paid) received	(233)	595	(584)
Purchase of property and equipment	(2,544)	(13,584)	(13,164)
Purchase of intangible assets	(147)	(248)	(281)
Net cash used in investing activities	(9,790)	(30,000)	(37,181)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(30)	(15,788)	(15,307)
Purchase of treasury shares	(912)	(1,117)	(1,347)
Net borrowings	(55,644)	22,070	22,706
Net cash (used in) provided by financing activities	(55,786)	5,165	5,858
Net (decrease) increase in cash and cash equivalents	(62,091)	13,129	15,777
Effect of exchange rate on cash and cash equivalents	(154)	1,852	879
Cash and cash equivalents, beginning of period	402,949	386,293	386,293
Cash and cash equivalents, end of period	340,704	401,274	402,949

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)

	Share Capital	Treasury Stock	Reserves	Retained earnings	Non-controlling interests	Total equity (reviewed)
Balances at 31 December 2008	220,000	(7,889)	33,045	(5,577)	65,955	295,534
Total comprehensive income for the period	-	-	6,710	16,944	3,753	27,407
Transfer of net depreciation on revalued property	-	-	(273)	273	-	-
Purchase of Treasury Stocks	-	(112)	-	-	-	(112)
Share of dividend declared by subsidiary	-	-	-	-	(340)	(340)
Balances at 30 September 2009	220,000	(8,001)	39,482	11,640	59,368	322,489
Balances at 31 December 2007	220,000	(6,548)	44,974	40,812	64,724	363,162
Total comprehensive loss for the year			(11,566)	(29,008)	(5,486)	(46,060)
Transfer of net depreciation on revalued property	-	-	(364)	364	-	-
Purchase of treasury shares	-	(1,341)	-	-	-	(1,341)
Dividends	-	-	-	(15,622)	-	(15,922)
Directors' remuneration	-	-	-	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	(3,284)	(3,284)
Balances at 31 December 2008	220,000	(7,889)	33,045	(5,577)	55,955	295,534
Parent company balances at 31 December 2008	220,000	(7,889)	33,764	(6,286)	-	239,579
Balances at 31 December 2007	220,000	(6,548)	44,974	40,812	64,724	363,162
Total comprehensive loss for the period	-	-	(7,725)	(11,275)	(2,585)	(21,585)
Transfer of net depreciation on revalued property	-	-	(273)	273	-	-
Purchase of treasury shares	-	(1,117)	-	-	-	(1,117)
Dividends	-	-	-	(15,622)	-	(15,922)
Directors' remuneration paid	-	-	-	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	(3,283)	(3,283)
Balances at 30 September 2008	220,000	(7,695)	36,976	12,062	58,856	320,229

These consolidated interim condensed financial statements were approved by the Board of Directors on 11th November 2009 and signed by:

Khalid A. Al Rustani	Khalid J. Bin Kalban	Yassir Albaharna
Chairman	Vice Chairman	Chief Executive Officer

The above consolidated interim condensed financial statements have been extracted from the consolidated interim condensed financial statements reviewed by KPMG, Public Accountants who have expressed an unqualified opinion.

The reviewed consolidated interim concensed financial statements are available on Arig website www.arig.net

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