



**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 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



**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.

candidate Dr. Taqi Zeera.

"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 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 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 deleveraging that took place within the financial system," he added.

# Arig back in black, posts \$16.9m profit

K.J.S. Madhav

Making a major turnaround and returning to profitability, regional reinsurance 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 from \$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 investment portfolio 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)						
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)			
<b>ASSETS</b>						
Cash and cash equivalents	340,704	402,869	401,374			
Investments	318,045	271,888	289,439			
Accrued income	180,732	102,837	118,958			
Investment securities	47,284	82,846	87,588			
IFRS/USP deposits	64,885	62,341	59,129			
Deferred policy acquisition costs	29,679	29,226	28,554			
Reinsurers' share of net income provisions	60,474	49,873	53,177			
Other assets	28,473	22,677	27,748			
Taxable investment assets	71,836	42,150	51,700			
Property and equipment	27,086	28,138	30,262			
	<b>1,157,274</b>	<b>1,082,837</b>	<b>1,102,441</b>			
<b>LIABILITIES</b>						
Technical provisions	665,169	562,312	621,892			
Insurance policies	30,401	34,822	27,518			
Borrowings	13,706	88,384	87,872			
Other liabilities	54,774	49,873	53,177			
Equity	71,836	42,150	51,700			
	<b>834,885</b>	<b>783,533</b>	<b>822,919</b>			
<b>LIABILITIES AND EQUITY</b>						
Attributable to shareholders of Parent Company						
Share capital	220,000	220,000	220,000			
Treasury stock	(8,000)	(7,899)	(7,995)			
Reserves	11,440	(5,777)	12,962			
Retained earnings (accumulated deficits)	283,121	239,579	261,373			
Non-controlling interests	89,249	68,956	68,896			
	<b>322,409</b>	<b>309,324</b>	<b>332,229</b>			
	<b>1,157,274</b>	<b>1,082,837</b>	<b>1,102,441</b>			
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009 (In thousands of U.S. Dollars)</b>						
	Share Capital	Treasury Stock	Reserves	Retained earnings	Non-controlling interests	Total equity (Reviewed)
<b>Balances at 31 December 2008</b>	220,000	(7,899)	33,943	(9,777)	93,933	290,204
<b>Total comprehensive income for the period</b>	-	-	6,710	16,944	3,752	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)
<b>Balances at 30 September 2009</b>	220,000	(8,001)	39,423	11,640	99,366	322,409
<b>Balances at 31 December 2008</b>	220,000	(6,548)	44,974	40,312	64,724	365,162
Total comprehensive loss for the year	-	-	(11,895)	(20,005)	(5,488)	(40,088)
Transfer of net depreciation on revalued property	-	-	(36)	36	-	-
Purchase of treasury shares	-	(1,341)	-	-	-	(1,341)
Dividends	-	-	-	(15,022)	-	(15,022)
Director's remuneration	-	-	-	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	(3,261)	(3,261)
<b>Balances at 31 December 2008</b>	220,000	(7,899)	33,045	(5,777)	55,955	295,524
<b>Parent company balances at 31 December 2008</b>	220,000	(7,896)	33,744	(6,286)	-	290,472
<b>Balances at 31 December 2008</b>	220,000	(6,548)	44,974	40,312	64,724	365,162
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	-	-	-	(15,022)	-	(15,022)
Director's remuneration paid	-	-	-	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	(3,283)	(3,283)
<b>Balances at 30 September 2009</b>	220,000	(7,656)	36,978	12,262	58,956	320,229
These consolidated interim condensed financial statements were approved by the Board of Directors on 11 <sup>th</sup> November 2009 and signed by:						
	Khalid A. Al Bustani Chairman		Khalid J. Bin Kablan Vice Chairman	Yusef Al-Baharna 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 condensed financial statements are available on Arig website www.arig.net						