Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2007 (UNAUDITED)

ERNST & YOUNG

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

Introduction

We have reviewed the accompanying interim balance sheet of Arab Orient Insurance Company (PSC) (the "Company") as at 31 March 2007 and the related interim statements of income, cash flows and changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by:
Edward B. Quinlan
Partner
Registration No. 93

30 April 2007

Dubai, United Arab Emirates

BALANCE SHEET

31 March 2007 (Unaudited)

	Notes	31 March 2007 AED'000	Audited 31 December 2006 AED'000	31March 2006 AED'000
ASSETS				
Cash and investments:				
Bank balances and cash		4,645	11,933	21,746
Deposits with banks	4	559,097	547,115	426,048
Investment securities	5	40,677	41,686	17,838
Investment in associated company	6	24,351	24,351	-
		628,770	625,085	465,632
Receivables arising from insurance and reinsurance contracts		159,004	140,763	101,549
Re-insurers share of unearned premiums		170,035	160,718	113,834
Re-insurers' share of outstanding claims		213,250	211,877	75,798
Fixed assets		1,571	1,307	1,409
Prepayments and other receivables		13,254	5,169	11,341
		557,114	519,834	303,931
TOTAL ASSETS		1,185,884	1,144,919	769,563
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	7	200,000	150,000	100,000
Statutory reserve	8	34,307	34,307	24,807
Legal reserve	9	44,432	44,432	34,932
Exceptional loss reserve	10	33,269	33,269	26,539
General reserve	11	41,588	91,588	102,248
Retained earnings		31,216	16	18,246
Proposed dividends		-	30,000	-
Cumulative changes in fair values of securities		(3,276)	(864)	3,626
Total equity		381,536	382,748	310,398
Liabilities				
Liabilities arising from insurance contracts:				
Unearned premiums		245,484	229,368	166,215
Gross outstanding claims		297,705	295,128	148,678
		543,189	524,496	314,893
Reinsurance balances payable		200,536	207,134	101,936
Other payables and accruals		30,623	30,541	22,336
Dividend payable		30,000	-	20,000
Total liabilities		804,348	762,171	459,165
TOTAL EQUITY AND LIABILITIES		1,185,884	1,144,919	769,563

MANAGING DIRECTOR
30 April 2007

The attached notes 1 to 13 form part of these financial statements.

INCOME STATEMENT
31 March 2007 (Unaudited)

	Notes	3 months ended 31 March 2007 AED'000	3 months ended 31 March 2006 AED'000
UNDERWRITING INCOME			
Gross premium			
Insurance contracts premium receivable		137,776	102,905
Movement in provision for unearned premium		(16,116)	(10,641)
Insurance premium revenue		121,660	92,264
Less: **Reinsurers' share of premium**			
Insurance contracts premium receivable		84,898	65,771
Movement in provision for unearned premium		(9,317)	(6,383)
		75,581	59,388
Net insurance premium revenue		46,079	32,876
Commission income		22,461	12,273
		68,540	45,149
UNDERWRITING EXPENSES			
Claims paid		62,612	22,807
Less: re-insurance share		(44,461)	(11,118)
Net claims		18,151	11,689
Increase in outstanding claims		1,204	2,017
Claims incurred		19,355	13,706
Commission expenses		14,696	8,905
General and administration		8,480	7,161
		42,531	29,772
NET UNDERWRITING INCOME		26,009	15,377
INVESTMENT INCOME			
Interest income		6,769	4,947
Fair value loss on trading securities		(1,578)	-
Investment expenses - finance costs		-	(2,089)
		5,191	2,858
PROFIT FOR THE PERIOD		31,200	18,235
Basic and diluted earnings per share (AED)	3	15.60	9.12

The attached notes 1 to 13 form part of these financial statements.

STATEMENT OF CASH FLOWS
31 March 2007 (Unaudited)

	Three months ended 31 March	
	2007	2006
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit for the period	31,200	18,235
Adjustments for:		
Depreciation	143	172
Loss on sale of fixed assets	26	8
Interest income	(6,769)	(4,947)
Finance costs	-	2,089
Changes in fair value of trading securities	1,578	-
Movement in unearned premium	6,799	4,258
Profit before changes in operating assets and liabilities	32,977	19,815
Receivables arising from insurance and reinsurance contracts	(18,241)	(37,869)
Re-insurers' share of outstanding claims	(1,373)	(2,199)
Prepayments and other receivables	(8,085)	(7,752)
Gross outstanding claims	2,577	5,520
Reinsurance balances payable	(6,598)	24,550
Other payables and accruals	82	3,532
Cash from operations	1,339	5,597
Investment expenses paid	-	(2,089)
Net cash from operating activities	1,339	3,508
INVESTING ACTIVITIES		
Purchase of fixed assets	(433)	(20)
Proceeds from sale of fixed assets	-	7
Interest income	6,769	4,947
Bank deposits	(11,982)	24,062
Purchase of available for sale investments	(2,981)	(12,460)
Net cash (used in) from investing activities	(8,627)	16,536
(DECREASE) INCREASE IN BANK BALANCES AND CASH	(7,288)	20,044
Bank balances and cash at 1 January	11,933	1,702
BANK BALANCES AND CASH AT 31 MARCH	4,645	21,746

The attached notes 1 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

31 March 2007 (Unaudited)

	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*	*Cumulative changes in fair value AED'000*	*Total AED'000*
Balance at 31 December 2006	150,000	34,307	44,432	33,269	91,588	16	30,000	(864)	382,748
Net movement in cumulative changes in fair value	-	-	-	-	-	-	-	(2,412)	(2,412)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(2,412)	(2,412)
Profit for the period	-	-	-	-	-	31,200	-	-	31,200
Total income and expenses for the period	-	-	-	-	-	**31,200**	-	**(2,412)**	**28,788**
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(30,000)	-	(30,000)
As of 31 March 2007	**200,000**	**34,307**	**44,432**	**33,269**	**41,588**	**31,216**	-	**(3,276)**	**381,536**
Balance at 31 December 2005	100,000	24,807	34,932	26,539	102,248	11	20,000	6,055	314,592
Net movement in cumulative changes in fair value	-	-	-	-	-	-	-	(2,429)	(2,429)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(2,429)	(2,429)
Profit for the period	-	-	-	-	-	18,235	-	-	18,235
Total income and expenses for the period	-	-	-	-	-	18,235	-	(2,429)	15,806
Transfer to current liability	-	-	-	-	-	-	(20,000)	-	(20,000)
As of 31 March 2006	100,000	24,807	34,932	26,539	102,248	18,246	-	3,626	310,398

The attached notes 1 to 13 form part of these financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2007 (Unaudited)

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. 9 of 1984, 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, group life and medical (collectively known as general insurance). The Company also invests its funds in investment securities. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates.

The Company operates in the United Arab Emirates and most of the insurance policies are issued in the UAE.

2 ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2006 except for the adoption of new standards and interpretations, noted below;

IFRS 7 *Financial Instruments Disclosures*
The Company has adopted IFRS 7, which requires disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. These new disclosures will be included in the Company's annual financial statements for the year ending 31 December 2007.

IAS 1 *Amendment - Presentation of Financial Statements*
This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures will be included in the Company's annual financial statements for the year ending 31 December 2007.

IFRIC 10 *Interim Financial Reporting and Impairment*
The Company has adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of an investment in either an equity instrument or a financial asset carried at cost.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

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. In addition, results for the 3 months ended 31 March 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

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 2,000,000 shares. The number of shares outstanding has been adjusted for all periods since the capitalisation of general reserves did not increase the total available resources.

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

4 DEPOSITS WITH BANKS

Included in deposit with banks is AED 7,500,000 representing statutory deposit that cannot be withdrawn without prior approval of the Ministry of Economy in accordance with Article 41 of the Federal Law No.9 of 1984.

5 INVESTMENT SECURITIES

	31March 2007 AED'000	Audited 31 December 2006 AED'000	31 March 2006 AED'000
Investments in securities held for trading			
Quoted shares	19,871	18,854	-
Available-for-sale investments			
Quoted shares	20,806	20,237	5,378
Unquoted shares	-	2,595	12,460
	20,806	22,832	17,838
	40,677	41,686	17,838

6 INVESTMENT IN ASSOCIATED COMPANY

	31March 2007 AED'000	Audited 31 December 2006 AED'000	30 March 2006 AED'000
Cost	24,351	24,351	-
Add: share of associated company's retained earnings	-	-	-
	24,351	24,351	-

The investment in associated company represents a 40% interest in Arab Orient Insurance Company, Syria, a public shareholding company registered and incorporated in Syria. As of 31 March 2007, the company had not commenced commercial operations.

7 SHARE CAPITAL

	31 March 2007 AED'000	Audited 31 December 2006 AED'000	31March 2006 AED'000
Issued and fully paid- shares of AED 100 each	200,000	150,000	100,000

The shareholders approved an increase in the share capital by AED 50 million by the capitalisation of general reserve in the extraordinary meeting held on 22 February 2007. The formalities in respect of the increase in the share capital have not been fully completed as of the period end.

8 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 Company 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 2007, 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 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 Company 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 2007, 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.

10 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 company 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 2007, as this will be based on the results for the year.

11 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 2007, as this will be based on the results for the year

12 SEGMENTAL INFORMATION

Primary segment information
For management purposes the Company is organised into two business segments, general insurance and investment. The general insurance segment comprises property, engineering, motor, marine, miscellaneous accident, medical, group life and personal accident classes. Investment comprises investment and cash management for the company's own account. These segments are the basis on which the company reports its primary segment information. Segmental information is presented below:

	31March 2007 AED'000	*Audited 31 December 2006 AED'000*	*31 March 2006 AED'000*
General Insurance			
Underwriting income	68,540	213,610	45,149
Underwriting expenses	(42,531)	(146,230)	(29,772)
Net underwriting income	26,009	67,380	15,377
Investment			
Investment income	5,191	27,695	2,858
Profit for the period	31,200	95,075	18,235

Secondary segment information
For operational and management reporting purposes, the company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

13 CONTINGENT LIABILITIES

	31 March 2007 AED'000	*Audited 31 December 2006 AED'000*	*31 March 2006 AED'000*
Bank guarantees other than those relating to claims for which provisions are held	1,643	1,643	2,064

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