Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 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 30 June 2007 and the related interim statements of income for the three months and six months period then ended, and the related statements of cash flows and changes in equity for the six-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

15 July 2007

Dubai, United Arab Emirates

Arab Orient Insurance Company (PSC)

INTERIM BALANCE SHEET

30 June 2007 (Unaudited)

	Notes	30 June 2007 AED'000	Audited 31 December 2006 AED'000	30 June 2006 AED'000
ASSETS				
Cash and investments:				
Bank balances and cash		**19,793**	11,933	13,568
Deposits with banks	4	**596,377**	547,115	508,997
Investment securities	5	**39,790**	41,686	36,997
Investment in associated company	6	**24,351**	24,351	-
		680,311	625,085	559,562
Receivables arising from insurance and reinsurance contracts		**203,583**	140,763	119,280
Re-insurers share of unearned premiums		**201,165**	160,718	183,783
Re-insurers' share of outstanding claims		**270,382**	211,877	147,175
Fixed assets		**2,011**	1,307	1,498
Prepayments and other receivables		**21,647**	5,169	15,089
		698,788	519,834	466,825
TOTAL ASSETS		**1,379,099**	1,144,919	1,026,387
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	7	**200,000**	150,000	150,000
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	52,248
Retained earnings		**63,069**	16	42,833
Proposed dividends		**-**	30,000	-
Cumulative changes in fair values of securities		**130**	(864)	12
Total equity		**416,795**	382,748	331,371
Liabilities				
Liabilities arising from insurance contracts:				
Unearned premiums		**281,074**	229,368	243,923
Gross outstanding claims		**357,750**	295,128	221,407
		638,824	524,496	465,330
Reinsurance balances payable		**256,361**	207,134	181,021
Other payables and accruals		**37,119**	30,541	28,665
Dividend payable		**30,000**	-	20,000
Total liabilities		**962,304**	762,171	695,016
TOTAL EQUITY AND LIABILITIES		**1,379,099**	1,144,919	1,026,387

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MANAGING DIRECTOR

15 July 2007

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

INTERIM INCOME STATEMENT

For the six months ended 30 June 2007 (Unaudited)

	Notes	Three months ended 30 June 2007 AED'000	Three months ended 30 June 2006 AED'000	Six months ended 30 June 2007 AED'000	Six months ended 30 June 2006 AED'000
UNDERWRITING INCOME					
Gross premium					
Insurance contracts premium receivable		**212,755**	134,287	**350,531**	237,186
Movement in provision for unearned premium		**(35,588)**	(17,568)	**(51,704)**	(28,209)
Insurance premium revenue		**177,167**	116,719	**298,827**	208,977
Less: **Reinsurers' share of premium**					
Insurance contracts premium receivable		**158,370**	89,628	**243,268**	155,399
Movement in provision for unearned premium		**(31,130)**	(9,809)	**(40,447)**	(16,192)
		127,240	79,819	**202,821**	139,207
Net insurance premium revenue		**49,927**	36,900	**96,006**	69,770
Commission income		**21,026**	10,373	**43,487**	27,647
		70,953	47,273	**139,493**	97,417
UNDERWRITING EXPENSES					
Claims paid		**59,786**	37,910	**122,398**	60,717
Less: re-insurance share		**(39,239)**	(26,317)	**(83,700)**	(37,435)
Net claims		**20,547**	11,593	**38,698**	23,282
Increase in outstanding claims		**2,914**	4,356	**4,118**	6,373
Claims incurred		**23,461**	15,949	**42,816**	29,655
Commission expenses		**16,379**	5,269	**31,075**	19,175
General and administration		**10,199**	7,013	**18,679**	14,174
		50,039	28,231	**92,570**	63,004
NET UNDERWRITING INCOME		**20,914**	19,042	**46,923**	34,413
INVESTMENT INCOME					
Interest income		**8,619**	5,551	**15,388**	10,498
Gain on sale of trading securities		**1,803**	-	**1,803**	-
Fair value gain (loss) on trading securities		**517**	7,108	**(1,061)**	7,108
Investment expenses - finance costs		**-**	(7,108)	**-**	(9,197)
		10,939	5,551	**16,130**	8,409
PROFIT FOR THE PERIOD		**31,853**	24,593	**63,053**	42,822
Basic and diluted earnings per share (AED)	3	**15.92**	12.30	**31.53**	21.41

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

INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007 (Unaudited)

	Six months ended 30 June	
	2007	*2006*
	AED'000	*AED'000*
OPERATING ACTIVITIES		
Profit for the period	**63,053**	42,822
Adjustments for:		
Depreciation	**315**	391
Loss on sale of fixed assets	**62**	23
Gain on sale of trading securities	**(1,803)**	-
Changes in fair value of trading securities	**1,061**	(7,108)
Interest income	**(15,388)**	(10,498)
Movement in unearned premium	**11,259**	12,017
Profit before changes in operating assets and liabilities	**58,559**	37,647
Receivables arising from insurance and reinsurance contracts	**(62,820)**	(55,600)
Re-insurers' share of outstanding claims	**(58,505)**	(73,576)
Prepayments and other receivables	**(16,478)**	(11,500)
Gross outstanding claims	**62,622**	78,249
Reinsurance balances payable	**49,227**	103,635
Other payables and accruals	**6,578**	9,861
Net cash from operating activities	**39,183**	88,716
INVESTING ACTIVITIES		
Purchase of fixed assets	**(1,081)**	(336)
Interest income	**15,388**	10,498
Bank deposits	**(49,262)**	(58,887)
Sale of trading securities	**6,615**	-
Purchase of trading securities	**-**	(8,735)
Purchase of available for sale investments	**(2,983)**	(19,390)
Net cash used in investing activities	**(31,323)**	(76,850)
INCREASE IN BANK BALANCES AND CASH	**7,860**	11,866
Bank balances and cash at 1 January	**11,933**	1,702
BANK BALANCES AND CASH AT 30 JUNE	**19,793**	13,568

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

Arab Orient Insurance Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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	-	-	-	-	-	-	-	994	994
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	994	994
Profit for the period	-	-	-	-	-	63,053	-	-	63,053
Total income and expenses for the period	-	-	-	-	-	**63,053**	-	**994**	**64,047**
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(30,000)	-	(30,000)
As of 30 June 2007	**200,000**	**34,307**	**44,432**	**33,269**	**41,588**	**63,069**	-	**130**	**416,795**
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	-	-	-	-	-	-	-	(6,043)	(6,043)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(6,043)	(6,043)
Profit for the period	-	-	-	-	-	42,822	-	-	42,822
Total income and expenses for the period	-	-	-	-	-	42,822	-	(6,043)	36,779
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(20,000)	-	(20,000)
As of 30 June 2006	150,000	24,807	34,932	26,539	52,248	42,833	-	12	331,371

The attached notes 1 to 13 form part of these 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. 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 6 months ended 30 June 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 the prior approval of the Ministry of Economy in accordance with the Article 41 of the Federal Law No.9 of 1984.

5 INVESTMENT SECURITIES

	30 June 2007 AED'000	Audited 31 December 2006 AED'000	30 June 2006 AED'000
Investments in securities held for trading			
Quoted	**15,576**	18,854	15,843
Unquoted	**-**	-	-
	15,576	18,854	15,843
Available-for-sale investments			
Quoted	**24,214**	20,237	8,694
Unquoted	**-**	2,595	12,460
	24,214	22,832	21,154
	39,790	41,686	36,997

6 INVESTMENT IN ASSOCIATED COMPANY

	30 June 2007 AED'000	Audited 31 December 2006 AED'000	30 June 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 30 June 2007, the associated company's earnings from operations were insignificant.

7 SHARE CAPITAL

	30 June 2007 AED'000	Audited 31 December 2006 AED'000	30 June 2006 AED'000
Issued and fully paid- shares of AED 100 each	**200,000**	150,000	150,000

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 were completed during the period.

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 six month period to 30 June 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 six month period to 30 June 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 six month period to 30 June 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 six month period to 30 June 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:

	30 June 2007 AED'000	*Audited 31 December 2006 AED'000*	*30 June 2006 AED'000*
General Insurance			
Underwriting income	**139,493**	213,610	97,417
Underwriting expenses	**(92,570)**	(146,230)	(63,004)
Net underwriting income	**46,923**	67,380	34,413
Investment			
Investment income	**16,130**	27,695	8,409
Profit for the period	**63,053**	95,075	42,822

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

	30 June 2007 AED'000	*Audited 31 December 2006 AED'000*	*30 June 2006 AED'000*
Bank guarantees other than those relating to claims for which provisions are held	**1,999**	1,643	1,950

Bank guarantees have been issued in normal course of business.