Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2008

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax:+971 4 332 4004
dubai.uae@ae.ey.com
www.ey.com/me

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 2008 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 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

20 April 2008

Dubai, United Arab Emirates

BALANCE SHEET
At 31 March 2008 (Unaudited)

	Notes	31 March 2008 AED'000	Audited 31 December 2007 AED'000	31 March 2007 AED'000
ASSETS				
Cash and investments:				
Bank balances and cash		3,178	4,865	4,645
Deposits with banks	4	600,045	603,236	559,097
Investment securities	5	58,506	31,541	40,677
Investment in associated company	6	26,183	25,383	24,351
		687,912	665,025	628,770
Receivables arising from insurance and reinsurance contracts		235,008	195,040	159,004
Re-insurers share of unearned premiums		250,098	232,962	170,035
Re-insurers' share of outstanding claims		230,161	231,444	213,250
Property and equipment		3,432	3,022	1,571
Prepayments and other receivables		12,867	4,949	13,254
		731,566	667,417	557,114
TOTAL ASSETS		1,419,478	1,332,442	1,185,884
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	7	250,000	200,000	200,000
Statutory reserve	8	47,917	47,917	34,307
Legal reserve	9	58,042	58,042	44,432
Exceptional loss reserve	10	42,324	42,324	33,269
General reserve	11	51,388	101,388	41,588
Retained earnings		40,120	46	31,216
Proposed dividends		-	40,000	-
Cumulative changes in fair values of securities		(133)	1,944	(3,276)
Total equity		489,658	491,661	381,536
Liabilities				
Liabilities arising from insurance contracts:				
Unearned premiums		345,254	320,913	245,484
Gross outstanding claims		327,652	325,278	297,705
		672,906	646,191	543,189
Reinsurance balances payable		176,006	161,610	200,536
Other payables and accruals		40,908	32,980	30,623
Dividend payable		40,000	-	30,000
Total liabilities		929,820	840,781	804,348
TOTAL EQUITY AND LIABILITIES		1,419,478	1,332,442	1,185,884

.....

SENIOR MANAGING DIRECTOR
20 April 2008

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

INCOME STATEMENT
31 March 2008 (Unaudited)

	Note	Three months ended 31 March 2008 AED'000	Three months ended 31 March 2007 AED'000
UNDERWRITING INCOME			
Gross premium			
Insurance contracts premium receivable		196,842	137,776
Movement in provision for unearned premium		(24,342)	(16,116)
Insurance premium revenue		172,500	121,660
Less: **Reinsurers' share of premium**			
Insurance contracts premium receivable		125,821	84,898
Movement in provision for unearned premium		(17,136)	(9,317)
		108,685	75,581
Net insurance premium revenue		63,815	46,079
Commission income		24,713	22,461
		88,528	68,540
UNDERWRITING EXPENSES			
Claims paid		87,055	62,612
Less: re-insurance share		(65,436)	(44,461)
Net claims		21,619	18,151
Increase in outstanding claims		3,656	1,204
Claims incurred		25,275	19,355
Commission expenses		15,940	14,696
General and administration		11,399	8,480
		52,614	42,531
NET UNDERWRITING INCOME		35,914	26,009
INVESTMENT INCOME			
Interest income		7,329	6,769
Gain on sale of trading securities		76	-
Fair value loss on trading securities		(4,045)	(1,578)
		3,360	5,191
Share of profit of an associate		800	-
PROFIT FOR THE PERIOD		40,074	31,200
Basic and diluted earnings per share (AED)	3	16.03	12.48

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

STATEMENT OF CASHFLOWS
31 March 2008 (Unaudited)

	Three months ended 31 March	
	2008 AED'000	***2007 AED'000***
OPERATING ACTIVITIES		
Profit for the period	**40,074**	31,200
Adjustments for:		
Depreciation	**253**	143
Loss on sale of property and equipment	**13**	26
Interest income	**(7,329)**	(6,769)
Share of associate's profit	**(800)**	
Gain on sale of trading securities	**(76)**	-
Changes in fair value of trading securities	**4,045**	1,578
Movement in unearned premiums	**7,205**	6,799
Operating profit before changes in operating assets and liabilities	**43,385**	32,977
Receivables arising from insurance and reinsurance contracts	**(39,968)**	(18,241)
Re-insurers' share of outstanding claims	**1,283**	(1,373)
Prepayments and other receivables	**(7,918)**	(8,085)
Gross outstanding claims	**2,374**	2,577
Reinsurance balances payable	**14,396**	(6,598)
Other payables and accruals	**7,928**	82
Net cash from operating activities	**21,480**	1,339
INVESTING ACTIVITIES		
Purchase of property and equipment	**(733)**	(433)
Proceeds from sale of property and equipment	**57**	-
Interest income	**7,329**	6,769
Net movement in bank deposits	**3,191**	(11,982)
Purchase of available for sale investments	**(8,087)**	(2,981)
Purchase of trading securities	**(537)**	-
Investment in managed portfolios	**(25,000)**	-
Sale of trading securities	**613**	-
Net cash (used in) investing activities	**(23,167)**	(8,627)
DECREASE IN CASH AND CASH EQUIVALENTS	**(1,687)**	(7,288)
Bank balances and cash at 1 January	**4,865**	11,933
CASH AND CASH EQUIVALENTS AT 31 MARCH	**3,178**	4,645

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

STATEMENT OF CHANGES IN EQUITY

31 March 2008 (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 1 January 2008	200,000	47,917	58,042	42,324	101,388	46	40,000	1,944	491,661
Net movement in cumulative changes in fair value	-	-	-	-	-	-	-	(2,077)	(2,077)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(2,077)	(2,077)
Profit for the period	-	-	-	-	-	40,074	-	-	40,074
Total income and expenses for the period	-	-	-	-	-	**40,074**	-	**(2,077)**	37,997
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(40,000)	-	(40,000)
As of 31 March 2008	**250,000**	**47,917**	**58,042**	**42,324**	**51,388**	**40,120**	-	**(133)**	**489,658**
Balance at 1 January 2007	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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2008 (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. 6 of 2007 ("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 2007 except for the adoption of new Standards and Interpretations, noted below:

IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*
This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted as an equity- settled scheme, even if the entity buys instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the Company.

IFRIC 14 IAS 19- *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this interpretation had no impact 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 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

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 2,500,000 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 deposits with banks is AED 7,500,000 representing a statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of the Federal Law No.6 of 2007.

5 INVESTMENT SECURITIES

	31March 2008 AED'000	Audited 31 December 2007 AED'000	31 March 2007 AED'000
Investments carried at fair value through income statement			
Managed portfolios	25,000	-	-
Held for trading- Quoted shares	11,614	15,659	19,871
	36,614	15,659	19,871
Available-for-sale investments			
Debt			
Quoted shares	10,000	10,000	10,000
Equity			
Quoted shares	11,892	5,882	10,806
	21,892	15,882	20,806
	58,506	31,541	40,677

6 INVESTMENT IN ASSOCIATED COMPANY

	31March 2008 AED'000	Audited 31 December 2007 AED'000	31 March 2007 AED'000
Cost	24,351	24,351	24,351
Add: share of associated company's retained earnings	1,832	1,032	-
	26,183	25,383	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. The company commenced its commercial operations effective 2 April 2007.

7 SHARE CAPITAL

	31 March 2008 AED'000	Audited 31 December 2007 AED'000	31March 2007 AED'000
Issued and fully paid- shares of AED 100 each	250,000	200,000	200,000

The shareholders approved an increase in the share capital by AED 50 million by the capitalisation of general reserve in the extraordinary meting held on 24 February 2008. The formalities in respect of the increase in the share capital have 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 2008, 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 2008, 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 2008, 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 2008, 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 2008 AED'000	*Audited 31 December 2007 AED'000*	*31 March 2007 AED'000*
General Insurance			
Underwriting income	**88,528**	286,291	68,540
Underwriting expenses	**(52,614)**	(195,642)	(42,531)
Net underwriting income	**35,914**	90,649	26,009

12 SEGMENTAL INFORMATION (continued)

	31March 2008 AED'000	Audited 31 December 2007 AED'000	31 March 2007 AED'000
Investment			
Investment income	3,360	44,424	5,191
Share of associate's profit	800	1,032	-
	4,160	45,456	5,191
Profit for the period	**40,074**	136,105	31,200

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 2008 AED'000	Audited 31 December 2007 AED'000	31 March 2007 AED'000
Bank guarantees other than those relating to claims for which provisions are held	2,883	2,215	1,643

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