Arab Orient Insurance Company (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2008 (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 2008 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

20 July 2008

Dubai, United Arab Emirates

BALANCE SHEET
At 30 June 2008 (Unaudited)

	Notes	30 June 2008 AED'000	Audited 31 December 2007 AED'000	30 June 2007 AED'000
ASSETS				
Cash and investments:				
Bank balances and cash		3,476	4,865	19,793
Deposits with banks	4	635,217	603,236	596,377
Investment securities	5	70,952	31,541	39,790
Investment in associated company	6	26,373	25,383	24,351
		736,018	665,025	680,311
Receivables arising from insurance and reinsurance contracts		256,387	195,040	203,583
Re-insurers share of unearned premiums		283,336	232,962	201,165
Re-insurers' share of outstanding claims		232,603	231,444	270,382
Property and equipment		3,463	3,022	2,011
Prepayments and other receivables		19,376	4,949	21,647
		795,165	667,417	698,788
TOTAL ASSETS		1,531,183	1,332,442	1,379,099
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		81,276	46	63,069
Proposed dividends		-	40,000	-
Cumulative changes in fair values of securities		(632)	1,944	130
Total equity		530,315	491,661	416,795
Liabilities				
Liabilities arising from insurance contracts:				
Unearned premiums		387,434	320,913	281,074
Gross outstanding claims		336,112	325,278	357,750
		723,546	646,191	638,824
Reinsurance balances payable		236,420	161,610	256,361
Other payables and accruals		40,902	32,980	37,119
Dividend payable		-	-	30,000
Total liabilities		1,000,868	840,781	962,304
TOTAL EQUITY AND LIABILITIES		1,531,183	1,332,442	1,379,099

SENIOR MANAGING DIRECTOR
20 July 2008

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

Arab Orient Insurance Company (PSC)

INCOME STATEMENT

30 June 2008 (Unaudited)

	Notes	Three months ended 30 June 2008 AED'000	Three months ended 30 June 2007 AED'000	Six months ended 30 June 2008 AED'000	Six months ended 30 June 2007 AED'000
UNDERWRITING INCOME					
Gross premium					
Insurance contracts premium receivable		**304,090**	212,755	**500,932**	350,531
Movement in provision for unearned premium		**(42,179)**	(35,588)	**(66,521)**	(51,704)
Insurance premium revenue		**261,911**	177,167	**434,411**	298,827
Less: **Reinsurers' share of premium**					
Insurance contracts premium receivable		**228,903**	158,370	**354,724**	243,268
Movement in provision for unearned premium		**(33,238)**	(31,130)	**(50,374)**	(40,447)
		195,665	127,240	**304,350**	202,821
Net insurance premium revenue		**66,246**	49,927	**130,061**	96,006
Commission income		**33,690**	21,026	**58,403**	43,487
		99,936	70,953	**188,464**	139,493
UNDERWRITING EXPENSES					
Claims paid		**90,407**	59,786	**177,462**	122,398
Less: re-insurance share		**(61,292)**	(39,239)	**(126,728)**	(83,700)
Net claims		**29,115**	20,547	**50,734**	38,698
Increase in outstanding claims		**6,019**	2,914	**9,675**	4,118
Claims incurred		**35,134**	23,461	**60,409**	42,816
Commission expenses		**22,171**	16,379	**38,111**	31,075
General and administration		**13,372**	10,199	**24,771**	18,679
		70,677	50,039	**123,291**	92,570
NET UNDERWRITING INCOME		**29,259**	20,914	**65,173**	46,923
INVESTMENT INCOME					
Interest income		**7,557**	8,619	**14,886**	15,388
Gain on sale of trading securities		**-**	1,803	**76**	1,803
Fair value gain (loss) on trading securities		**3,850**	517	**(195)**	(1,061)
Gain on sale of available for sale securities		**300**	-	**300**	-
		11,707	10,939	**15,067**	16,130
Share of profit of an associate		**190**	-	**990**	-
PROFIT FOR THE PERIOD		**41,156**	31,853	**81,230**	63,053
Basic and diluted earnings per share (AED)	3	**16.46**	12.74	**32.49**	25.22

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

Arab Orient Insurance Company (PSC)

CASH FLOW STATEMENT

30 June 2008 (Unaudited)

	Six months ended 30 June	
	2008	*2007*
	AED'000	*AED'000*
OPERATING ACTIVITIES		
Profit for the period	**81,230**	63,053
Adjustments for:		
Depreciation	**532**	315
Loss on sale of property and equipment	**26**	62
Interest income	**(14,886)**	(15,388)
Share of associate's profit	**(990)**	-
Gain on sale of trading securities	**(76)**	(1,803)
Gain on sale of available for sale securities	**(300)**	-
Changes in fair value of trading securities	**195**	1,061
Movement in unearned premium	**16,147**	11,259
Operating profit before changes in operating assets and liabilities	**81,878**	58,559
Receivables arising from insurance and reinsurance contracts	**(61,347)**	(62,820)
Re-insurers' share of outstanding claims	**(1,159)**	(58,505)
Prepayments and other receivables	**(14,427)**	(16,478)
Gross outstanding claims	**10,834**	62,622
Reinsurance balances payable	**74,810**	49,227
Other payables and accruals	**7,922**	6,578
Net cash from operating activities	**98,511**	39,183
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,116)**	(1,081)
Proceeds from sale of property and equipment	**117**	-
Interest income	**14,886**	15,388
Bank deposits	**(31,981)**	(49,262)
Purchase of available for sale investments	**(18,884)**	(2,983)
Purchase of trading securities	**(25,537)**	-
Sale of available for sale investments	**2,002**	-
Sale of trading securities	**613**	6,615
Net cash used in investing activities	**(59,900)**	(31,323)
FINANCING ACTIVITY		
Dividend paid	**(40,000)**	-
Net cash used in financing activity	**(40,000)**	-
(DECREASE) INCREASE IN BANK BALANCES AND CASH	**(1,389)**	7,860
Bank balances and cash at 1 January	**4,865**	11,933
BANK BALANCES AND CASH AT 30 JUNE	**3,476**	19,793

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

Arab Orient Insurance Company (PSC)

STATEMENT OF CHANGES IN EQUITY

30 June 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	-	-	-	-	-	-	-	(2,576)	(2,576)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	(2,576)	(2,576)
Profit for the period	-	-	-	-	-	81,230	-	-	81,230
Total income and expenses for the period	-	-	-	-	-	**81,230**	-	**(2,576)**	**78,654**
Transfers	50,000	-	-	-	(50,000)	-	-	-	-
Transfer to current liability	-	-	-	-	-	-	(40,000)	-	(40,000)
As of 30 June 2008	**250,000**	**47,917**	**58,042**	**42,324**	**51,388**	**81,276**	-	**(632)**	**530,315**
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	-	-	-	-	-	-	-	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

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. 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 six months ended 30 June 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 are AED 7,500,000 and AED 14,100,450 representing statutory deposits that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with the Article 42 of the UAE Federal Law No. 6 of 2007 and the Insurance Company Law of the Sultanate of Oman, respectively.

5 INVESTMENT SECURITIES

	30 June 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 June 2007 AED'000*
Investments carried at fair value income statement			
Managed portfolios	**28,282**	-	15,576
Held for trading-Quoted shares	**12,182**	15,659	-
	40,464	15,659	15,576
Available-for-sale investments			
Debt			
Quoted shares	**10,000**	10,000	10,000
Equity			
Quoted shares	**9,716**	5,882	14,214
Unquoted shares	**10,772**	-	-
	30,488	15,882	24,214
	70,952	31,541	39,790

6 INVESTMENT IN ASSOCIATED COMPANY

	30 June 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 June 2007 AED'000*
Cost	**24,351**	24,351	24,351
Add: share of associated company's retained earnings	**2,022**	1,032	-
	26,373	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

	30 June 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 June 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 meeting held on 24 February 2008. The formalities in respect of the increase in the share capital were completed during 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 six month period to 30 June 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 six month period to 30 June 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 six month period to 30 June 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 six month period to 30 June 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:

	30 June 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 June 2007 AED'000*
General Insurance			
Underwriting income	**188,464**	286,291	139,493
Underwriting expenses	**(123,291)**	(195,642)	(92,570)
Net underwriting income	**65,173**	90,649	46,923
Investment			
Investment income	**15,067**	44,424	16,130
Share of associate's profit	**990**	1,032	-
	16,057	45,456	16,130
Profit for the period	**81,230**	136,105	63,053

12 SEGMENTAL INFORMATION (continued)

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 CONTINGENCIES

	30 June 2008 AED'000	*Audited 31 December 2007 AED'000*	*30 June 2007 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**3,353**	2,215	1,999

Bank guarantees have been issued in normal course of business.

Capital commitment			
Commitment for investments	**45,850**	-	-