

**Oman Insurance Company
(Public Shareholding Company)**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2007 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF OMAN INSURANCE COMPANY (PSC)

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Oman Insurance Company (PSC) (the "Company") as at 31 March 2007 and the related interim consolidated 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 consolidated financial statements in accordance with International Financial Reporting 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.

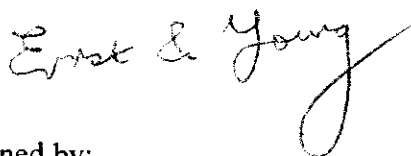
Conclusion

A cash flow statement for the period ended 31 March 2006 has not been presented in the financial statements.

Based on our review, except for the effect of the matter reported in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the fact that we have not reviewed or audited the interim condensed consolidated financial information for the quarter ended 31 March 2006 which is presented for comparison purposes only.



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

19 April 2007

Dubai

Oman Insurance Company (PSC)

CONSOLIDATED INCOME STATEMENT

31 March 2007 (Unaudited)

		<i>Reviewed 3 months ended 31 March</i>	<i>Unaudited 3 months ended 31 March</i>
	<i>Notes</i>	<i>2007 AED'000</i>	<i>2006 AED'000</i>
UNDERWRITING INCOME			
Insurance contracts premium receivable		442,076	295,594
Movement in provision for unearned premiums		(31,024)	(29,560)
Insurance premium revenue		<u>411,052</u>	<u>266,034</u>
Less: Reinsurers' share of premium			
Insurance contracts premium receivable		215,010	154,043
Movement in provision for unearned premiums		(13,190)	(16,410)
		<u>201,820</u>	<u>137,633</u>
Net insurance premium revenue		209,232	128,401
Commissions earned		29,977	26,649
Other income		2,455	1,620
		<u>241,664</u>	<u>156,670</u>
UNDERWRITING EXPENSES			
Claims		184,744	126,654
Reinsurers' share of claims		(67,140)	(46,673)
Commissions paid		35,135	29,497
Excess of Loss Premium		5,904	1,451
Policies surrendered and maturities paid		592	910
General and administration relating to underwriting activities		22,211	20,424
		<u>181,446</u>	<u>132,263</u>
UNDERWRITING PROFIT BEFORE MOVEMENTS IN LIFE ASSURANCE FUND		60,218	24,407
INCREASE IN LIFE ASSURANCE FUND		(11,305)	(2,344)
NET UNDERWRITING INCOME	3	48,913	22,063
INVESTMENT INCOME			
Net realised gains on sale of available for sale securities		8,040	24,387
Net (loss) / gain on trading securities		(6,459)	42,056
Gain on sale of an investment property		15,423	-
Dividends		29,867	16,393
Interest income		5,215	1,300
Investment expenses – finance costs		(9,285)	(6,259)
		<u>42,801</u>	<u>77,877</u>
OTHER EXPENSES			
General and administration expenses not allocated		(2,458)	(2,267)
Interest expense		(665)	(1,130)
Other income		206	648
		<u>(2,917)</u>	<u>(2,749)</u>
PROFIT FOR THE PERIOD		88,797	97,191
Basic and diluted earnings per share (AED)	4	0.30	0.32

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Oman Insurance Company (PSC)

CONSOLIDATED BALANCE SHEET

31 March 2007 (Unaudited)

		<i>Reviewed</i> 31 March <i>2007</i> AED'000	<i>Audited</i> 31 December <i>2006</i> AED'000
	<i>Notes</i>		
ASSETS			
Cash and investments:			
Bank balances and cash	5	15,202	31,142
Deposits with banks		158,219	138,586
Investments		1,856,601	1,958,787
Investment properties		342,700	359,398
		<u>2,372,722</u>	<u>2,487,913</u>
Premiums and insurance balances receivable		485,372	332,276
Reinsurers' share of unearned premiums		181,301	168,111
Reinsurers' share of outstanding claims		288,057	284,566
Life assurance policy loans		418	691
Office equipment and vehicles		5,008	4,172
Other assets		43,068	21,167
		<u>1,003,224</u>	<u>810,983</u>
TOTAL ASSETS		<u>3,375,946</u>	<u>3,298,896</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		282,750	243,750
Statutory reserve	6	69,025	69,025
General reserve	7	414,154	414,154
Retained earnings		295,046	212,286
Proposed dividends		-	121,875
Cumulative changes in fair values of securities		(8,569)	109,121
Strategic reserve	8	253,750	253,750
Total equity		<u>1,306,156</u>	<u>1,423,961</u>
Liabilities			
Unearned premium, additional reserve and life assurance fund		508,974	438,894
Gross outstanding claims		399,278	387,723
Reinsurance balances payable		173,492	97,750
Amounts held under reinsurance treaties		90,726	85,819
Other payables and accruals		228,878	205,337
Amounts payable for purchase of investment property		38,064	38,064
Bank overdrafts	5	391,828	182,798
Short term loans		238,550	438,550
Total liabilities		<u>2,069,790</u>	<u>1,874,935</u>
TOTAL EQUITY AND LIABILITIES		<u>3,375,946</u>	<u>3,298,896</u>

Chairman
19 April 2007

General Manager
19 April 2007

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Oman Insurance Company (PSC)

CONSOLIDATED CASH FLOW STATEMENT

31 March 2007 (Unaudited)

	<i>Three months ended 31 March 2007 AED'000</i>
<i>Note</i>	
OPERATING ACTIVITIES	
Profit for the period	88,797
Adjustments for:	
Depreciation	654
Gain on sale of available for sale securities	(8,040)
Gain on sale of an investment property	(15,423)
Reinsurers' share of unearned premiums	(13,190)
Movement in unearned premiums	31,025
Profit before changes in operating assets and liabilities	83,823
Trading securities	6,459
Premiums, insurance and reinsurance balances receivable	(153,096)
Reinsurers' share of outstanding claims	(3,491)
Life assurance policy loans	273
Other assets	(21,901)
Insurance and life assurance funds	39,055
Gross outstanding claims	11,555
Reinsurance balances payable	75,742
Amounts held under reinsurance treaties	4,907
Other payables and accruals	23,541
Net cash from operating activities	66,867
INVESTING ACTIVITIES	
Purchase of office equipment and vehicles	(1,498)
Proceeds from sale of office equipment and vehicles	8
Deposits with bank	(39,676)
Available-for-sale securities	(13,923)
Proceeds from sale of an investment property	47,224
Purchase of an investment property	(15,103)
Net cash used in investing activities	(22,968)
FINANCING ACTIVITIES	
Dividend paid	(85,312)
Directors' fees	(3,600)
Short term loans	(200,000)
Net cash used in financing activities	(288,912)
DECREASE IN CASH AND CASH EQUIVALENTS	(245,013)
Cash and cash equivalents at 1 January	(14,848)
CASH AND CASH EQUIVALENTS AT 31 MARCH	5 <u>(259,861)</u>

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Oman Insurance Company (PSC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2007 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Proposed dividends AED '000</i>	<i>Cumulative changes in fair values AED '000</i>	<i>Strategic reserve AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2007	243,750	69,025	414,154	212,286	121,875	109,121	253,750	1,423,961
Net movement in cumulative changes in fair values	-	-	-	-	-	(117,690)	-	(117,690)
Total income and expenses recognised directly in equity	-	-	-	-	-	(117,690)	-	(117,690)
Profit for the period	-	-	-	88,797	-	-	-	88,797
Total income and expenses for the period	-	-	-	88,797	-	(117,690)	-	(28,893)
Scrip dividend	39,000	-	-	(2,437)	(36,563)	-	-	-
Cash dividend paid	-	-	-	-	(85,312)	-	-	(85,312)
Directors' fees	-	-	-	(3,600)	-	-	-	(3,600)
As of 31 March 2007	282,750	69,025	414,154	295,046	-	(8,569)	253,750	1,306,156

Notes:

1. Directors' fees relate to the profit for the year ended 31 December 2006 as approved by the shareholders at the Annual General Meeting held on 25 February 2007.
2. The board of directors recommended 50% cash dividend for the year ended 31 December 2006 at their meeting held on 17 January 2007. However, the shareholders at the Annual General Meeting approved 35% as cash dividend and 16% as bonus shares. Accordingly, an additional 1% of paid up share capital amounting to AED 2,437,500 has been appropriated from retained earnings.

Oman Insurance Company (PSC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued

31 March 2007 (Unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Proposed dividends AED'000</i>	<i>Cumulative changes in fair values AED'000</i>	<i>Special reserve AED'000</i>	<i>Total AED'000</i>
Balance at 1 January 2006	97,500	48,750	363,466	220,928	243,750	1,079,819	243,750	2,297,963
Net movement in cumulative changes in fair values	-	-	-	-	-	(439,263)	-	(439,263)
Total income and expenses recognised directly in equity	-	-	-	-	-	(439,263)	-	(439,263)
Net profit for the period	-	-	-	97,191	-	-	-	97,191
Total income and expenses for the period	-	-	-	97,191	-	(439,263)	-	(342,072)
Scrip dividend	146,250	-	-	-	(146,250)	-	-	-
Cash dividend paid	-	-	-	-	(97,500)	-	-	(97,500)
Directors' fees	-	-	-	(6,155)	-	-	-	(6,155)
As of 31 March 2006	243,750	48,750	363,466	311,964	-	640,556	243,750	1,852,236

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

1 ACTIVITIES

Oman Insurance Company (PSC) which was established by an Amiri Decree issued by His Highness The Ruler of Dubai, is a public shareholding Company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE. The Company is a subsidiary of MashreqBank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P O Box 5209, Dubai, United Arab Emirates.

The Company mainly issues short term insurance contracts in connection with property, motor and marine risks as well as medical, group life and personal accident risks. The Company has a small portfolio of life assurance contracts. The Company also invests its funds in investment securities and properties.

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.

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

3 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised into three business segments, general insurance, life assurance and investment. The general insurance segment comprises motor, marine, fire, engineering and general accident. The life assurance segment includes life, medical, group life and personal accident. 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. Transactions between segments are conducted at estimated market rates on an arm's length basis. Segmental information is presented below:

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Three months ended 31 March 2007						
TOTAL UNDERWRITING INCOME	194,772	131,521	46,892	25,149	241,664	156,670
NET UNDERWRITING INCOME	37,511	17,738	11,402	4,325	48,913	22,063
TOTAL INVESTMENT INCOME					42,801	77,877
Other Income					206	648
Unallocated other expenses					(3,123)	(3,397)
PROFIT FOR THE PERIOD					88,797	97,191

4 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Reviewed (3 months) 31 March 2007</i>	<i>Unaudited (3 months) 31 March 2006</i>
Net profit for the year, net of directors' fees (AED '000)	85,197	91,036
Weighted average number of shares outstanding during the year	282,750,000	282,750,000
Basis and diluted earnings per share (AED)	0.30	0.32

The basic earnings per share as reported for all the periods have been adjusted for the effect of bonus shares issued during the period.

The Company has not issued any instruments which would have an impact on earnings per share when exercised.

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	<i>Reviewed 31 March 2007 AED'000</i>	<i>Audited 31 December 2006 AED'000</i>
Deposits with banks maturing within three months	116,765	136,808
Bank balances and cash	15,202	31,142
Bank overdrafts	(391,828)	(182,798)
	<u>(259,861)</u>	<u>(14,848)</u>

6 STATUTORY RESERVE

In accordance with the Commercial Companies Law and 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 50% of the paid up share capital. No transfers have been made during the three months 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.

7 GENERAL RESERVE

Annual transfers to the general reserve are made at the rate of 25% of the net profit less directors' fees for the year. The reserve is freely available for distribution. No transfers have 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.

8 STRATEGIC RESERVE

The strategic reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have 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.

9 CONTINGENCIES

At 31 March 2007, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 20,186 thousand (31 December 2006: AED 16,418 thousand).

10 SEASONALITY OF RESULTS

Dividend income of AED 29,867 thousand for the three month period ended 31 March 2007 and AED 16,393 thousand for the three month period ended 31 March 2006 is of a seasonal nature.