

Oman Insurance Company (PSC)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2008 (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 condensed consolidated financial statements of Oman Insurance Company (PSC) as at 30 June 2008 comprising interim consolidated balance sheet as at 30 June 2008 and the related interim statements of income for the three-month and six-month periods then ended, the related consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

DRAFT

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

23 July 2008
Dubai

Oman Insurance Company (PSC)

INTERIM CONSOLIDATED INCOME STATEMENT

30 June 2008 (Unaudited)

		<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
UNDERWRITING INCOME					
Insurance contracts premium receivable		507,236	373,787	1,174,492	815,863
Movement in provision for unearned premiums		(58,910)	(51,672)	(147,333)	(82,696)
Insurance premium revenue		448,326	322,115	1,027,159	733,167
Less: Reinsurers' share of premium		(213,028)	(167,252)	(518,916)	(369,072)
Net insurance premium revenue		235,298	154,863	508,243	364,095
Commissions earned		32,983	28,822	78,134	58,799
Other income		2,032	1,789	4,925	4,244
		270,313	185,474	591,302	427,138
UNDERWRITING EXPENSES					
Claims		233,646	239,614	519,972	424,358
Reinsurers' share of claims		(105,069)	(150,391)	(251,227)	(217,531)
Commissions expenses		52,638	38,798	99,928	73,933
Excess of loss reinsurance premium		7,712	5,011	13,262	10,915
Policies surrendered and maturities paid		527	496	1,122	1,088
General and administration relating to underwriting activities		31,200	23,091	57,533	45,302
		220,654	156,619	440,590	338,065
UNDERWRITING PROFIT BEFORE MOVEMENTS IN LIFE ASSURANCE FUND	3	49,659	28,855	150,712	89,073
INCREASE IN LIFE ASSURANCE FUND		(4,301)	(1,859)	(19,772)	(13,164)
NET UNDERWRITING INCOME	3	45,358	26,996	130,940	75,909
INVESTMENT INCOME					
Realised gains		37,653	32,094	73,384	55,557
Fair value gains and losses	4	159,232	12,442	125,179	5,983
Other investment income		21,452	20,168	52,576	55,250
Investment expenses – finance costs		(7,963)	(13,870)	(15,884)	(23,155)
		210,374	50,834	235,255	93,635
OTHER EXPENSES					
General and administration expenses not allocated		(1,948)	(2,064)	(6,531)	(4,522)
Interest expense		(541)	(528)	(1,390)	(1,193)
Other income		92	2,586	362	2,792
		(2,397)	(6)	(7,559)	(2,923)
PROFIT FOR THE PERIOD		253,335	77,824	358,636	166,621
Earnings per share (AED)	5	0.66	0.20	0.94	0.44

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

Oman Insurance Company (PSC)

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2008

		30 June 2008 AED'000 (Unaudited)	31 December 2007 AED'000 (Audited)
	<i>Notes</i>		
ASSETS			
Office equipment and vehicles		8,987	10,018
Investment properties	4	655,667	493,940
Advances for purchase of properties		137,633	-
Financial investments			
At fair value through profit or loss		549,838	455,080
Available for sale		2,122,791	2,172,983
Reinsurance assets		789,433	704,665
Insurance receivables		719,773	448,002
Prepayments and other assets		51,438	43,840
Statutory deposits		23,573	22,573
Cash and cash equivalents		428,918	337,244
TOTAL ASSETS		5,488,051	4,688,345
EQUITY AND LIABILITIES			
Equity			
Share capital	7	381,713	282,750
Statutory reserve	8	132,136	132,136
Cumulative changes in fair values of securities		551,624	520,478
Strategic reserve	9	303,750	303,750
General reserve	10	571,930	571,930
Retained earnings		712,976	354,340
Proposed dividend – cash		-	98,963
Proposed dividend – scrip		-	98,963
Total equity		2,654,129	2,363,310
Liabilities			
Insurance contract liabilities		1,446,878	1,221,559
Financial liabilities			
Borrowings		684,227	555,872
Other financial liabilities		149,776	133,502
Insurance payables		478,702	320,274
Trade and other payables		74,339	93,828
Total liabilities		2,833,922	2,325,035
TOTAL EQUITY AND LIABILITIES		5,488,051	4,688,345

Chairman
23 July 2008

General Manager
23 July 2008

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

Oman Insurance Company (PSC)

CONSOLIDATED CASH FLOW STATEMENT

30 June 2008 (Unaudited)

		Six months ended 30 June	
	Note	2008 AED'000	2007 AED'000
OPERATING ACTIVITIES			
Profit for the period		358,636	166,621
Adjustments for:			
Depreciation		4,861	1,303
Gain on sale of financial investments, available-for-sale		(43,374)	(30,115)
Unrealised gain on investment properties		(161,727)	-
Gain on sale of investment properties		-	(15,423)
		<u>158,396</u>	<u>122,386</u>
Changes in operating assets and liabilities:			
Financial investments at fair value through profit or loss		(94,758)	(9,494)
Reinsurance assets		(84,768)	(83,537)
Insurance receivables		(271,771)	(104,174)
Prepayments and accrued income		(7,598)	(9,989)
Insurance contract liabilities		225,319	189,328
Insurance payables		158,428	113,282
Trade and other payables		(19,489)	(4,967)
		<u>63,759</u>	<u>212,835</u>
Net cash from operating activities			
		<u>63,759</u>	<u>212,835</u>
INVESTING ACTIVITIES			
Purchase of office equipment and vehicles		(3,943)	(2,769)
Proceeds from sale of office equipment and vehicles		113	7
Financial investments, available-for-sale		124,712	(118,243)
Statutory deposits		(1,000)	(3,000)
Proceeds from sale of investments properties		-	47,224
Advance paid for purchase of properties		(137,633)	-
Purchase of investment properties		-	(15,103)
		<u>(17,751)</u>	<u>(91,884)</u>
Net cash used in investing activities			
		<u>(17,751)</u>	<u>(91,884)</u>
FINANCING ACTIVITIES			
Dividend paid		(98,963)	(85,312)
Directors' fees		-	(3,600)
Borrowings, other than bank overdrafts		111,470	139,545
Other financial liabilities		16,274	12,229
		<u>28,781</u>	<u>62,862</u>
Net cash from financing activities			
		<u>28,781</u>	<u>62,862</u>
INCREASE IN CASH AND CASH EQUIVALENTS		74,789	183,813
Cash and cash equivalents at 1 January		293,362	(14,848)
		<u>293,362</u>	<u>(14,848)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	368,151	168,965

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

Oman Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2008 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Cumulative changes in fair values AED '000</i>	<i>Strategic reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Proposed dividends AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2008	282,750	132,136	520,478	303,750	571,930	354,340	197,926	2,363,310
Increase in fair value of available for sale securities	-	-	74,520	-	-	-	-	74,520
Net realised gain on sale of available for sale securities	-	-	(43,374)	-	-	-	-	(43,374)
Total income and expense recognised directly in equity	-	-	31,146	-	-	-	-	31,146
Profit for the period	-	-	-	-	-	358,636	-	358,636
Total income and expense for the period	-	-	31,146	-	-	358,636	-	389,782
Scrip dividend	98,963	-	-	-	-	-	(98,963)	-
Cash dividend paid	-	-	-	-	-	-	(98,963)	(98,963)
As of 30 June 2008	381,713	132,136	551,624	303,750	571,930	712,976	-	2,654,129

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

Oman Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2008 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Cumulative changes in fair values AED '000</i>	<i>Strategic reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Proposed dividends AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2007	243,750	69,025	109,121	253,750	414,154	212,286	121,875	1,423,961
Increase in fair value of available for sale securities	-	-	100,038	-	-	-	-	100,038
Net realised gain on sale of available for sale securities	-	-	(30,115)	-	-	-	-	(30,115)
Total income and expense recognised directly in equity	-	-	69,923	-	-	-	-	69,923
Profit for the period	-	-	-	-	-	166,621	-	166,621
Total income and expense for the period	-	-	69,923	-	-	166,621	-	236,544
Scrip dividend	39,000	-	-	-	-	(2,437)	(36,563)	-
Cash dividend paid	-	-	-	-	-	-	(85,312)	(85,312)
Directors' fee	-	-	-	-	-	(3,600)	-	(3,600)
As of 30 June 2007	282,750	69,025	179,044	253,750	414,154	372,870	-	1,571,593

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 initially recommended 50% cash dividend for the year ended 31 December 2006 at their meeting held on 17 January 2007. However, a cash dividend of 35% and bonus shares of 16% were eventually approved at the Annual General Meeting. Accordingly, an additional 1% of paid up share capital amounting to AED 2,437,500 has been appropriated from retained earnings.

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

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008 (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 Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P O Box 5209, Dubai, United Arab Emirates.

The consolidated financial statements include the results of its wholly-owned subsidiary, Equator Trading Enterprises LLC (collectively referred to as "the Company").

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

The Company has obtained a licence to open a branch in Muscat (Oman). The branch will carry out the Company's insurance business in Oman. However, the branch had not commenced operations as of the period end.

2 ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

Changes in accounting estimates

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 change in the basis of calculation of additional reserve noted below.

Calculation of additional reserve for marine class of business

With effect from 1 January 2008, Management have decided not to provide for the shortfall in unearned premiums calculated by reference to 1/8th method and unearned premiums for marine class of business calculated at 25% in accordance with UAE Federal Law No.6 of 2007.

As a result of the change, profit for the three-month period is lower by AED 6,240 thousand and profit for six-month period is higher by AED 18,792 thousand. The additional reserve at 30 June 2008 is lower by AED 18,792 thousand.

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, and should be read in conjunction with the Company's financial statements as of 31 December 2007. In addition, results for the 6 months ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008 (Unaudited)

4 FAIR VALUE GAINS AND LOSSES

Fair value gains and losses include a gain of AED 161,727 thousand for the six month period ended 30 June 2008 arising from revaluation of investment properties by an independent valuer. Previously, management's practice was to carry out the independent valuation on an annual basis and any gains or losses were reflected in the last quarter of the financial year.

5 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>(3 months)</i> <i>30 June</i> <i>2008</i>	<i>(3 months)</i> <i>30 June</i> <i>2007</i>	<i>(6 months)</i> <i>30 June</i> <i>2008</i>	<i>(6 months)</i> <i>30 June</i> <i>2007</i>
Net profit for the period, net of directors' fees (AED '000)	<u>253,335</u>	<u>77,824</u>	<u>358,636</u>	<u>166,621</u>
Weighted average number of shares outstanding during the period	<u>381,713,000</u>	<u>381,713,000</u>	<u>381,713,000</u>	<u>381,713,000</u>
Earnings per share (AED)	<u><u>0.66</u></u>	<u><u>0.20</u></u>	<u><u>0.94</u></u>	<u><u>0.44</u></u>

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.

6 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i> <i>2008</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>30 June</i> <i>2007</i> <i>AED'000</i> <i>(Unaudited)</i>
Deposits with banks maturing within three months	<u>339,849</u>	<u>228,708</u>
Bank balances and cash	<u>89,069</u>	<u>6,510</u>
	<u>428,918</u>	<u>235,218</u>
Less: Bank overdrafts	<u>(60,767)</u>	<u>(66,253)</u>
	<u><u>368,151</u></u>	<u><u>168,965</u></u>

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008 (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:

Three months ended 30 June:

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</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>
TOTAL UNDERWRITING INCOME	215,166	160,113	55,148	25,361	270,314	185,474
NET UNDERWRITING INCOME	36,732	24,499	8,626	2,497	45,358	26,996
TOTAL INVESTMENT INCOME					210,374	50,834
Other Income					92	2,586
Unallocated other expenses					(2,489)	(2,592)
PROFIT FOR THE PERIOD					253,335	77,824

Six months ended 30 June:

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</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>
TOTAL UNDERWRITING INCOME	480,293	354,885	111,009	72,253	591,302	427,138
NET UNDERWRITING INCOME	109,917	62,010	21,023	13,899	130,940	75,909
TOTAL INVESTMENT INCOME					235,255	93,635
Other income					362	2,792
Unallocated other expenses					(7,921)	(5,715)
PROFIT FOR THE PERIOD					358,636	166,621

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.

Oman Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008 (Unaudited)

7 SHARE CAPITAL

At the annual general meeting held on 18 February 2008, the shareholders approved the scrip dividend of 35 shares for every 100 shares held. Accordingly, the number of shares increased to 381,713,000. Legal formalities for registration of the scrip dividend were completed during the period.

8 STATUTORY 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 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 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.

9 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 or from strategic reserve during the six month period to 30 June 2008.

10 GENERAL RESERVE

Annual transfers to the general reserve are made at the rate of 25% of the 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 six month period to 30 June 2008, as this will be based on the results for the year.

11 CAPITAL COMMITMENTS

	<i>30 June 2008 AED Unaudited</i>	<i>31 December 2007 AED Audited</i>
Commitment in respect of purchase of investment properties (plots of land in the UAE)	<u>148,707</u>	<u>-</u>

12 CONTINGENCIES

At 30 June 2008, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which the management anticipates that no material liabilities will arise, amounting to AED 32,855 thousand (31 December 2007: AED 21,169 thousand).

13 SEASONALITY OF RESULTS

Revenue includes dividend income of AED 19,934 thousand and AED 45,127 thousand for three month and six month periods ended 30 June 2008, respectively, and AED 15,734 thousand and AED 45,601 thousand for three month and six month periods ended 30 June 2007, respectively, which is of a seasonal nature.