Dubai Insurance Company
(Public Shareholding Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2015 (UNAUDITED)

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dubai Insurance Company (PSC) as at 31 March 2015, comprising the interim consolidated statement of financial position as at 31 March 2015 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows 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 consolidated 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. Consequently, it 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.

Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

13 May 2015
Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2015 (Unaudited)

	Note	*Three months ended 31 March* 2015 AED'000	2014 AED'000
UNDERWRITING INCOME			
Gross premium		**109,490**	104,370
Movement in provision for unearned premium		**(13,832)**	(13,140)
Insurance premium revenue		**95,658**	91,230
Reinsurance share of premium		**(78,841)**	(71,052)
Movement in provision for reinsurance share of unearned premium		**14,802**	8,063
		(64,039)	(62,989)
Net insurance premium revenue		**31,619**	28,241
Reinsurance commission income		**7,671**	6,598
Other expenses		**(834)**	(86)
Total underwriting income		**38,456**	34,753
UNDERWRITING EXPENSES			
Claims incurred		**49,266**	38,617
Reinsurers' share of claims incurred		**(35,782)**	(26,237)
Net claims incurred		**13,484**	12,380
Commission expenses		**12,970**	9,114
Excess of loss reinsurance premium		**162**	465
General and administration expenses relating to underwriting activities		**3,834**	3,757
Total underwriting expenses		**30,450**	25,716
NET UNDERWRITING INCOME		**8,006**	9,037
INVESTMENT INCOME			
Realised gain on sale of investments		**135**	97
Fair value gain / (loss) on financial assets at fair value through profit or loss		**206**	9
Other investment income		**12,241**	8,302
Other investment costs		**(137)**	(110)
		12,445	8,298
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		**(1,255)**	(1,224)
Other income		**52**	133
		(1,203)	(1,091)
PROFIT FOR THE PERIOD		**19,248**	16,244
Basic and diluted earnings per share (AED)	3	**0.19**	0.16

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2015 (Unaudited)

	Three months ended 31 March	
	2015 AED'000	*2014 AED'000*
Profit for the period	**19,248**	16,244
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that could not be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on financial assets at fair value through other comprehensive income	**8,150**	67,062
Other comprehensive income for the period	**8,150**	67,062
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**27,398**	83,306

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015 (Unaudited)

	Notes	*31 March 2015 AED'000*	*31 December 2014 AED'000 Audited*
ASSETS			
Property and equipment	4	**47,841**	47,549
Investment property	5	**1,670**	1,670
Financial instruments	6	**433,097**	417,934
Reinsurance assets		**143,772**	125,893
Insurance receivables		**144,064**	113,139
Prepayments and other receivables		**6,356**	6,955
Statutory deposits		**10,000**	10,000
Cash and cash equivalents	7	**43,760**	69,416
TOTAL ASSETS		**830,560**	792,556
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**100,000**	100,000
Statutory reserve	10	**50,000**	50,000
General reserve	10	**13,000**	13,000
Retained earnings		**106,877**	112,629
Cumulative changes in fair value of investments	10	**209,331**	201,181
Total equity		**479,208**	476,810
Liabilities			
Bank loan	8	**18,417**	18,417
Employees' end of service benefits		**2,466**	2,349
Insurance contract liabilities		**208,529**	190,125
Amounts held under reinsurance treaties		**13,341**	10,664
Reinsurance balances payable		**78,512**	63,463
Insurance and other payables		**30,087**	30,728
Total liabilities		**351,352**	315,746
TOTAL EQUITY AND LIABILITIES		**830,560**	792,556

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 13 May 2015.

Buti Obaid Almulla
Chairman

Abdellatif Abuqurah
Chief Executive Officer

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2015 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed dividends AED'000*	*Cumulative changes in fair value of investments AED'000*	*Total AED'000*
Balance at 1 January 2015	100,000	50,000	13,000	112,629	-	201,181	476,810
Profit for the period	-	-	-	19,248	-	-	19,248
Other comprehensive income	-	-	-	-	-	8,150	8,150
Total comprehensive income for the period	-	-	-	19,248	-	8,150	27,398
Cash dividend declared (Note 11)	-	-	-	(25,000)	25,000	-	-
Cash dividend paid (Note 11)	-	-	-	-	(25,000)	-	(25,000)
Balance at 31 March 2015	**100,000**	**50,000**	**13,000**	**106,877**	**-**	**209,331**	**479,208**
Balance at 1 January 2014	100,000	50,000	10,000	87,344	25,000	131,884	404,228
Profit for the period	-	-	-	16,244	-	-	16,244
Other comprehensive income	-	-	-	-	-	67,062	67,062
Total comprehensive income for the period	-	-	-	16,244	-	67,062	83,306
Cash dividend paid (Note 11)	-	-	-	-	(25,000)	-	(25,000)
Balance at 31 March 2014	100,000	50,000	10,000	103,588	-	198,946	462,534

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2015 (Unaudited)

	Notes	*Three month period ended 31 March* 2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
Profit for the period		**19,248**	16,244
Adjustments for:			
Depreciation on property and equipment		**367**	289
Provision for employees' end of service benefits		**213**	95
Gain on sale of investments in debt instruments at amortised cost		**(135)**	(97)
		19,693	16,531
Changes in operating assets and liabilities:			
Reinsurance assets		**(17,879)**	(4,651)
Insurance receivables		**(30,925)**	(20,893)
Prepayments and other assets		**599**	215
Insurance contract liabilities		**18,404**	10,545
Amounts held under reinsurance treaties		**2,677**	(355)
Reinsurance balances payable		**15,049**	13,498
Insurance and other payables		**(641)**	(6,861)
Cash generated from operations		**6,977**	8,029
Employees' end of service paid		**(96)**	(9)
Net cash generated from operating activities		**6,881**	8,020
INVESTING ACTIVITIES			
Investments held at amortised cost		**(21,498)**	142
Financial instruments at fair value through profit or loss		**14,620**	(707)
Purchase of property and equipment		**(659)**	(294)
Net cash used in investing activities		**(7,537)**	(859)
FINANCING ACTIVITIES			
Dividend paid	11	**(25,000)**	-
Bank loan		**-**	(2)
Net cash used in financing activities		**(25,000)**	(2)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(25,656)**	7,159
Cash and cash equivalents at 1 January		**69,416**	35,132
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	**43,760**	42,291

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Dubai Insurance Company (PSC) (the "Company") is a public shareholding Company registered under the Federal Law No. 8 of 1984 (as amended) and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering, general accident and medical risks (collectively known as general insurance) and group life and individual life risk (collectively referred to as life assurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

During 2010, the Company established a new subsidiary for investment purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

Interim reporting
The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2014 except for the adoption of the following amendment which became effective as of 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

The adoption of this amendment did not have an impact on the financial position or performance of the Group during the period. Annual Improvements 2010-2012 cycle and 2011-2013 cycle which became effective from 1 July 2014 also did not have an impact on the financial position or performance of the Group during the period.

These condensed consolidated financial statements do not include all disclosure and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. In addition, results for the three months ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	Principal activity	Country of incorporation	Ownership
Vattaun Limited	Investment	British Virgin Island	100%

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 31 March	
	2015	*2014*
Profit for the period (AED'000)	**19,248**	16,244
Weighted average number of shares outstanding during the period ('000)	**100,000**	100,000
Earnings per share (AED)	**0.19**	0.16

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

4 PROPERTY AND EQUIPMENT

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand. The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future. The Group's management has completed the process of formalising the transfer of legal title in respect of the land.

5 INVESTMENT PROPERTIES

Investment properties represent the Company's investments in freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

6 FINANCIAL INSTRUMENTS

	Carrying value		*Fair value*	
	31 March 2015 AED'000 (Unaudited)	*31 December 2014 AED'000 (Audited)*	***31 March 2015 AED'000 (Unaudited)***	*31 December 2014 AED'000 (Audited)*
Financial instruments				
At fair value through profit or loss (Note 6.1)	**38,410**	53,030	**38,410**	53,030
At fair value through other comprehensive income (Note 6.2)	**335,673**	327,523	**335,673**	327,523
Investments held at amortised cost (Note 6.3)	**59,014**	37,381	**58,400**	37,781
	433,097	417,934	**432,483**	418,334

6.1 FINANCIAL ASSETS AT FAIR VALUES THROUGH PROFIT OR LOSS

		31 March 2015 AED'000	*31 December 2014 AED'000 (Audited)*
a)	***Shares - quoted***	**4,603**	4,397
b)	***Designated upon initial recognition***		
	Bank deposits with maturity over three months - unquoted	**33,807**	48,633
		38,410	53,030

The entire shares and bank deposits are within the United Arab Emirates.

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVEINCOME(OCI)

	31 March 2015 AED'000	*31 December 2014 AED'000 (Audited)*
Shares – quoted (within UAE)	**325,473**	317,323
Shares – unquoted (within UAE)	**10,200**	10,200
	335,673	327,523

The fair value changes amounting to AED 8,150 thousand (2014: AED 67,062 thousand) have been recognised in the consolidated statement of comprehensive income.

6.3 DEBT INSTRUMENTS AT AMORTISED COST

	31 March 2015 AED'000	*31 December 2014 AED'000 (Audited)*
Amortised cost		
Debt securities (within UAE)	**25,200**	3,675
Debt securities (outside UAE)	**33,814**	33,706
	59,014	37,381

Debt securities amounting to AED 33,814 thousand (2014: AED 33,706 thousand) are pledged against bank loan (Note 8). The investments carry a return at an effective rate of 4.56% per annum. The maturity profile of these debt instruments is shown below:

	31 March 2015		
	Less than 5 years AED'000	***More than 5 years AED'000***	***Total AED'000***
Debt securities (within UAE)	**4,360**	**20,840**	**25,200**
Debt securities (outside UAE)	**21,495**	**12,319**	**33,814**
	25,855	**33,159**	**59,014**

	31 December 2014 (audited)		
	Less than 5 years AED'000	*More than 5 years AED'000*	*Total AED'000*
Debt securities (within UAE)	3,675	-	3,675
Debt securities (outside UAE)	25,307	8,399	33,706
	28,982	8,399	37,381

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	31 March 2015 AED'000	*31 March 2014 AED'000*
Bank balances and cash	**43,760**	42,291
	43,760	42,291

The entire cash and cash equivalents are within United Arab Emirates.

8 BANK LOAN

The Group entered into a credit facility agreement with an international bank for USD 5 million (equivalent AED 18,417 thousand). The loan facility is secured against investments in debt instruments held at amortised cost amounting to AED 33,814 thousand (31 December 2014: AED 33,706 thousand) (Note 6.3) used for the Group's investment operation. The loan carries interest at 3 months USD LIBOR plus 1% per annum and the tenure of the loan is directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 2 to 10 years.

9 SHARE CAPITAL

	31 March 2015 AED'000	*31 December 2014 AED'000 (Audited)*
Issued and fully paid 100,000,000 shares of AED 1each (2014: 100,000,000 share of AED 1 each)	**100,000**	100,000

10 RESERVES

NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the UAE Commercial Companies Law and the Group's Article of Association, the Group has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly, no transfers have been made during the three months period to 31 March 2015. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **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.

- **CUMULATIVE CHANGES IN FAIR VALUE OF INVESTMENTS**

This reserve records fair value changes on financial instrument held at fair value through other comprehensive income.

11 PROPOSED AND PAID DIVIDENDS

	31 March 2015 AED'000	*31 December 2014 AED'000 (Audited)*
Cash dividend for 2014 of AED 0.25 per share (declared and paid)	**25,000**	-
Cash dividend for 2013 of AED 0.25 per share (declared and paid)	-	25,000
	25,000	25,000
Proposed for approval at Annual General Meeting: (2014: Cash dividend of AED 0.25 per share)	-	25,000
	-	25,000

12 SEGMENTAL INFORMATION

Primary segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment, comprises motor, marine, fire, engineering and general accident.
- The medical and life segment, includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

	General insurance		*Medical and Life assurance*		*Total*	
	31 March 2015 AED'000	*31 March 2014 AED'000*	***31 March 2015 AED'000***	*31 March 2014 AED'000*	***31 March 2015 AED'000***	*31 March 2014 AED'000*
Three months ended 31 March						
UNDERWRITING INCOME						
Insurance premium revenue	**39,907**	45,103	**55,751**	46,127	**95,658**	91,230
Reinsurers' share of premium	**(28,684)**	(31,279)	**(35,355)**	(31,710)	**(64,039)**	(62,989)
Net insurance premium revenue	11,223	13,824	**20,396**	14,417	**31,619**	28,241
Reinsurance commission income	**7,169**	5,904	**502**	694	**7,671**	6,598
Other income	**17**	17	**(851)**	(103)	**(834)**	(86)
	18,409	19,745	**20,047**	15,008	**38,456**	34,753
UNDERWRITING EXPENSES						
Claims incurred	**26,004**	27,294	**23,262**	11,323	**49,266**	38,617
Reinsurers' share of claims incurred	**(18,084)**	(18,128)	**(17,698)**	(8,109)	**(35,782)**	(26,237)
Net claims incurred	**7,920**	9,166	**5,564**	3,214	**13,484**	12,380
Commission expenses	**4,004**	3,002	**8,966**	6,112	**12,970**	9,114
Excess of loss reinsurance premium	**162**	465	**-**	-	**162**	465
General and administration expenses relating to underwriting activities	**1,472**	1,402	**2,362**	2,355	**3,834**	3,757
	13,558	14,035	**16,892**	11,681	**30,450**	25,716
NET UNDERWRITING INCOME	**4,851**	5,710	**3,155**	3,327	**8,006**	9,037
TOTAL INVESTMENT INCOME					**12,445**	8,298
Unallocated other expenses					**(1,203)**	(1,091)
PROFIT FOR THE PERIOD					**19,248**	16,244

During the current year the medical insurance has been reclassified from the general insurance segment and grouped along with life insurance to form a new segment medical and life insurance. Accordingly the underwriting income AED 19.303 thousand (2014: AED 13,632 thousand), underwriting expenses AED 16,287 thousand (2014: AED 11,185 thousand) and net underwriting income AED 3,016 thousand (2014: AED 2,447 thousand) of medical segment during the current quarter have been transferred to new segment medical and life insurance with respective restatements in the comparative figures.

13 SEASONALITY OF RESULTS

Dividend income amounted to AED 10,907 thousand and AED 7,117 thousand for the three-month periods ended 31 March 2015 and 31 March 2014 respectively. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 31 March 2015 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2015.

14 CONTINGENCIES

At 31 March 2015, 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 10,276 thousand (31 December 2014: AED 10,246 thousand).

Legal claims
The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.