

ASSURANCE AND ADVISORY
BUSINESS SERVICES

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2007 (Unaudited)

 **ERNST & YOUNG**



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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DUBAI ISLAMIC INSURANCE & REINSURANCE COMPANY (AMAN) (PSC)

Introduction

We have reviewed the accompanying interim balance sheet of Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) (the "Company") as at 31 March 2007, 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 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 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 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

30 April 2007

Dubai

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)

STATEMENT OF INCOME

31 March 2007 (Unaudited)

		Reviewed 3 months ended 31 March	Unaudited 3 months ended 31 March
	Notes	2007 AED	2006 AED
ATTRIBUTABLE TO POLICYHOLDERS			
UNDERWRITING INCOME			
Insurance premium revenue		57,987,921	30,151,357
Insurance premiums ceded to reinsurers		(28,679,601)	(11,491,733)
Net insurance premium revenue		29,308,320	18,659,624
Commission received on ceded reinsurance		4,325,187	2,587,851
Policy and survey fees		142,189	81,205
		33,775,696	21,328,680
UNDERWRITING EXPENSES			
Claims		36,822,377	13,086,830
Reinsurers' share of claims		(20,628,469)	(3,341,689)
Claims incurred		16,193,908	9,745,141
Commissions paid		4,029,662	1,603,161
Excess of loss insurance premiums		789,500	295,251
		21,013,070	11,643,553
NET UNDERWRITING INCOME			
Wakala fees		12,762,626	9,685,127
		(16,352,171)	(8,712,593)
NET (DEFICIT) SURPLUS FROM INSURANCE OPERATIONS			
Investment loss	5	(3,589,545)	972,534
		(920,736)	(886,122)
(DEFICIT) SURPLUS FOR THE PERIOD			
		(4,510,281)	86,412
ATTRIBUTABLE TO SHAREHOLDERS			
INCOME			
Investment loss	5	(977,790)	(744,804)
Wakala fees from policyholders		16,352,171	8,712,593
		15,374,381	7,967,789
EXPENSES			
General and administrative expenses		(6,343,894)	(5,723,542)
Provision against loan to policyholders' fund		(4,510,281)	-
PROFIT FOR THE PERIOD			
		4,520,206	2,244,247
Basic and diluted earnings per share	4	0.22	0.16

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

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)

BALANCE SHEET

31 March 2007 (Unaudited)

	Notes	Reviewed 31 March 2007 AED	Audited 31 December 2006 AED
ASSETS			
Bank balances and cash			
Investment deposits		7,194,473	26,011,362
Investments		16,624,500	42,290,380
Investment property		250,212,183	240,337,803
		45,308,055	-
		<u>319,339,211</u>	<u>308,639,545</u>
Premiums and insurance balances receivable		75,362,814	48,868,104
Recoverable from reinsurers in connection with claims payable		32,336,005	22,957,050
Reinsurers share of unexpired risks		34,631,258	25,654,188
Furniture and equipment		1,861,179	2,123,581
Other assets		16,327,130	4,781,044
		<u>160,518,386</u>	<u>104,383,967</u>
TOTAL ASSETS		<u>479,857,597</u>	<u>413,023,512</u>
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES			
Equity			
Share capital		200,000,000	200,000,000
Statutory reserve	6	8,122,205	8,122,205
General reserve	7	8,122,205	8,122,205
Retained earnings		28,193,615	23,673,409
Cumulative changes in fair value of securities		(33,133,120)	(24,704,293)
Total equity		<u>211,304,905</u>	<u>215,213,526</u>
Policyholders' fund and liabilities			
Policyholders' fund			
Deficit in policyholders' fund		(11,364,865)	(6,854,584)
Loan from shareholders		11,364,865	6,854,584
Proposed profit distribution to policyholders		1,898,484	1,898,484
		<u>1,898,484</u>	<u>1,898,484</u>
Liabilities			
Insurance funds:			
Unearned premium		80,847,834	60,817,499
Additional reserve		19,500,000	16,000,000
Gross outstanding claims		62,784,727	49,721,460
		<u>163,132,561</u>	<u>126,538,959</u>
Murabaha loan		29,949,243	34,212,500
Ijara Loan		34,029,440	-
Insurance and reinsurance balances payable		26,885,373	21,355,874
Other payables and accruals		10,474,315	11,540,493
Employees' end of service benefits		913,903	813,903
Accrued Zakat		1,269,373	1,449,773
		<u>266,654,208</u>	<u>195,911,502</u>
Total liabilities		<u>268,552,692</u>	<u>197,809,986</u>
TOTAL LIABILITIES AND EQUITY		<u>479,857,597</u>	<u>413,023,512</u>

Chairman
30 April 2007General Manager
30 April 2007

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

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)

STATEMENT OF CASH FLOWS

31 March 2007 (Unaudited)

	Note	Three months ended 31 March 2007 AED
OPERATING ACTIVITIES		
Profit for the period		4,520,206
Adjustments for:		
Movement in unearned premiums		20,030,335
Reinsurers' share of unexpired risks		(8,977,070)
Movements in additional reserve		3,500,000
Depreciation		384,851
Changes in fair value of investments		
carried at fair value through income statement	5	4,283,369
Provision for employees' end of service benefits		100,000
		<u>23,841,691</u>
Changes in operating assets and liabilities:		
Premiums, insurance and reinsurance balances receivable		(35,873,665)
Other assets		(11,546,086)
Outstanding claims		13,063,267
Insurance and reinsurance balances payable		5,529,499
Other payables and accruals		(1,066,178)
Cash used in operations		<u>(6,051,472)</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment		(122,449)
Realisation of investment deposits		25,665,880
Purchase of investments (net)		(22,586,576)
Purchase of investment property		(45,308,055)
Net cash used in investing activities		<u>(42,351,200)</u>
FINANCING ACTIVITIES		
Ijara loan taken		34,029,440
Murabaha loan repaid		(4,263,257)
Zakat paid		(180,400)
Net cash from financing activities		<u>29,585,783</u>
DECREASE IN BANK BALANCES AND CASH		<u>(18,816,889)</u>
Bank balances and cash at the beginning of the period		26,011,362
BANK BALANCES AND CASH AT 31 MARCH		<u><u>7,194,473</u></u>

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

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)

STATEMENT OF CHANGES IN EQUITY

31 March 2007 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Proposed dividends AED	Cumulative changes in fair values AED	Proposed scrip dividend AED	Total AED
Balance at 1 January 2007	200,000,000	8,122,205	8,122,205	23,673,409	-	(24,704,293)	-	215,213,526
Net movement in cumulative changes in fair values	-	-	-	-	-	(8,428,827)	-	(8,428,827)
Total expenses recognised directly in equity	-	-	-	-	-	(8,428,827)	-	(8,428,827)
Profit for the period	-	-	-	4,520,206	-	-	-	4,520,206
Total income and expenses for the period	-	-	-	4,520,206	-	(8,428,827)	-	(3,908,621)
Balance at 31 March 2007	<u>200,000,000</u>	<u>8,122,205</u>	<u>8,122,205</u>	<u>28,193,615</u>	<u>-</u>	<u>(33,133,120)</u>	<u>-</u>	<u>211,304,905</u>
Balance at 1 January 2006	60,000,000	8,122,205	8,122,205	38,019,195	9,000,000	-	9,000,000	132,263,605
Profit for the period	-	-	-	2,244,247	-	-	-	2,244,247
Total income for the period	-	-	-	2,244,247	-	-	-	2,244,247
Scrip dividend	9,000,000	-	-	-	-	-	(9,000,000)	-
Cash Dividend paid	-	-	-	-	(9,000,000)	-	-	(9,000,000)
As of 31 March 2006	<u>69,000,000</u>	<u>8,122,205</u>	<u>8,122,205</u>	<u>40,253,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,507,852</u>

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

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007 (Unaudited)

1 ACTIVITIES

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) is a public shareholding company and is registered under the Commercial Companies Law of 1984 (as amended). The company carries out general and medical insurance business in accordance with the teachings of Islamic Sharia'a. The company is also licensed to engage in reinsurance and life assurance business. The registered address of the company is PO Box 157, Dubai, United Arab Emirates.

The company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003.

The company mainly issues short term insurance contracts in connection with motor, marine, fire and engineering, general accident risks and group life and medical risks (collectively known as general insurance). 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.

The articles of association of the company require that separate accounts be maintained for insurance operations on behalf of the policyholders. Accordingly, the directors have resolved to present the financial statements on that basis and comply with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 31 March 2007 (Unaudited)

3 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 the insurance business undertaken by the company. 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:

	<i>3 months ended 31 March</i>	
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
General Insurance		
Underwriting income		
Underwriting expenses	33,775,696	21,328,680
	(21,013,070)	(11,643,553)
Net underwriting income	<u>12,762,626</u>	<u>9,685,127</u>
Investment loss	(1,898,526)	(1,630,926)
Unallocated other income and expenses	<u>(6,343,894)</u>	<u>(5,723,542)</u>
	<u>4,520,206</u>	<u>2,330,659</u>
Deficit (surplus) attributable to policyholders	4,510,281	(86,412)
Provision against loan to policyholders	<u>(4,510,281)</u>	<u>-</u>
Profit for the period	<u><u>4,520,206</u></u>	<u><u>2,244,247</u></u>

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.

4 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, adjusted for the bonus element included in the rights issue (the bonus element being the impact of issuing rights shares at value lower than the prevailing market price) as required by International Financial Reporting Standards (IFRS).as follows:

	<i>Reviewed</i>	<i>Unaudited</i>
	<i>(3 months)</i>	<i>(3 months)</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
Profit for the period	4,520,206	2,244,247
Weighted average number of shares outstanding during the year	20,000,000	14,388,556
Basic and diluted earnings per share (AED)	<u>0.22</u>	<u>0.16</u>

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

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 31 March 2007 (Unaudited)

5 INVESTMENT LOSSES

	<i>Reviewed 31 March 2007 AED</i>	<i>Unaudited 31 March 2006 AED</i>
Investment losses consists of:		
Fair value loss on investments carried at fair value through income statement	(4,283,369)	(28,528,841)
Income from sale of investments carried at fair value through income statement	-	26,683,327
Income from investment deposits	269,469	77,252
Income from investment in real estate funds	205,708	260,326
Income from investment in other funds	91,020	-
Dividend received	2,830,281	486,000
Murabaha income	-	47,260
Investment financing	(1,011,635)	(656,250)
	(1,898,526)	(1,630,926)
<i>Allocated to:</i>		
Policyholders	(920,736)	(886,122)
Shareholders	(977,790)	(744,804)
	(1,898,526)	(1,630,926)

Investment losses have been allocated to the shareholders in the ratio of equity at beginning of the year to total assets at the end of the year excluding the current year profit, furniture and equipment and end of service benefits. The remaining loss has been allocated to the policyholders. Allocation of investment losses to the shareholders and policyholders is approved by the company's Sharia'a Supervisory Board on an annual basis.

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. 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

As required by the Company's Articles of Association, no transfer has 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 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders (including Dubai Islamic Bank PJSC), directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. The Managing Director of the company is also a key management executive of Al Salam Bank - Sudan, Al Salam Bank - Bahrain and Al Salam Bank - Algeria. The pricing policies and terms of these transactions are approved by the Board of Directors.

During the period an investment of AED 20.2 million in equity shares of Al Salam Bank Algeria was made through a related party.

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007 (Unaudited)

9 CONTINGENCIES

At 31 March 2007, the company had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 1,022,250 (31 December 2006: AED 173,625).

10 SEASONALITY OF RESULTS

Dividend income of AED 2,830,281 for the three month period ended 31 March 2007 and AED 486,000 for the three month period ended 31 March 2006 is of a seasonal nature.