

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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2008 (UNAUDITED)

Ernst & Young

 **ERNST & YOUNG**

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

Introduction

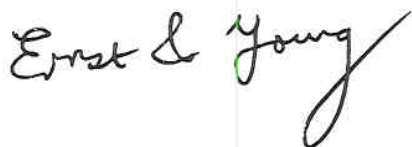
We have reviewed the accompanying interim condensed financial statements of Dubai Islamic Insurance & Reinsurance Company (Aman) PSC as at 30 June 2008 comprising interim balance sheet as at 30 June 2008 and the related interim statements of income for the three-month and six-month periods then ended, the related 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.



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

21 July 2008

Dubai

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

INTERIM STATEMENT OF INCOME

30 June 2008

		Three months ended 30 June		Six months ended 30 June	
	Notes	2008 AED	2007 AED	2008 AED	2007 AED
ATTRIBUTABLE TO POLICYHOLDERS					
UNDERWRITING INCOME					
Insurance premium revenue		89,183,253	60,669,474	170,939,788	118,657,395
Insurance premiums ceded to reinsurers		(48,801,203)	(40,625,713)	(91,486,266)	(69,305,314)
Net insurance premium revenue		40,382,050	20,043,761	79,453,522	49,352,081
Commission received on ceded reinsurance		6,249,121	6,969,124	11,192,053	11,294,311
Policy and survey fees		353,898	265,301	493,728	407,490
		46,985,069	27,278,186	91,139,303	61,053,882
UNDERWRITING EXPENSES					
Claims		37,224,965	29,011,285	71,577,345	65,833,662
Reinsurers' share of claims		(16,006,369)	(11,106,337)	(24,899,429)	(31,734,806)
Claims incurred		21,218,596	17,904,948	46,677,916	34,098,856
Commissions paid		10,248,721	6,026,420	14,974,360	10,056,082
Excess of loss insurance premiums		3,407,819	1,276,625	4,323,628	2,066,125
		34,875,136	25,207,993	65,975,904	46,221,063
NET UNDERWRITING INCOME		12,109,933	2,070,193	25,163,399	14,832,819
Wakala fees		(24,875,800)	(12,930,779)	(39,834,004)	(29,282,950)
NET DEFICIT FROM INSURANCE OPERATIONS					
Investment (losses) income	4	(12,765,867)	(10,860,586)	(14,670,605)	(14,450,131)
Mudarib fees		(467,609)	9,115,035	20,379	8,194,299
		116,902	(2,048,575)	(5,095)	(2,048,575)
DEFICIT FOR THE PERIOD		(13,116,574)	(3,794,126)	(14,655,321)	(8,304,407)
ATTRIBUTABLE TO SHAREHOLDERS					
INCOME					
Investment (losses) income	4	(963,236)	7,925,582	20,449	6,947,792
Other Income		177,772	-	177,772	-
Wakala fees from policyholders		24,875,800	12,930,779	39,834,004	29,282,950
Mudarib fees from policyholders		(116,902)	2,048,575	5,095	2,048,575
		23,973,434	22,904,936	40,037,320	38,279,317
EXPENSES					
General and administrative expenses		(9,182,958)	(9,604,892)	(17,664,634)	(15,948,786)
Provision against loan to policyholders' fund		(13,116,574)	(3,794,126)	(14,655,321)	(8,304,407)
PROFIT FOR THE PERIOD		1,673,902	9,505,918	7,717,365	14,026,124
Basic and diluted earnings per share	5	0.01	0.05	0.04	0.07

The attached explanatory notes 1 to 11 form part of these financial statements.

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

INTERIM BALANCE SHEET

30 June 2008

		(Reviewed) 30 June 2008 AED	(Audited) 31 December 2007 AED
	Notes		
ASSETS			
Furniture and equipment		1,960,235	1,894,295
Investment property		45,308,055	45,308,055
Financial assets			
At fair value through profit or loss		90,031,601	71,552,951
Available for sale		162,355,972	141,840,271
Reinsurance assets		118,295,001	109,139,793
Insurance receivables		120,485,126	84,863,353
Prepayments and other receivables		15,856,315	76,247,175
Investment deposits		12,500,000	12,500,000
Cash and cash equivalents		19,750,013	32,416,914
TOTAL ASSETS		586,542,318	575,762,807
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES			
Equity			
Share capital	6	200,000,000	200,000,000
Statutory reserve	7	12,278,225	12,278,225
General reserve	8	12,278,225	12,278,225
Retained earnings		41,009,211	33,291,846
Proposed dividends		-	20,000,000
Cumulative changes in fair value of securities		(34,606,680)	(6,664,158)
Total equity		230,958,981	271,184,138
Policyholders' fund and liabilities			
Policyholders' fund			
Deficit in policyholders' fund		(21,654,061)	(6,998,740)
Loan from shareholders		21,654,061	6,998,740
Proposed profit distribution to policyholders		1,823,562	1,898,484
		1,823,562	1,898,484
Liabilities			
Insurance contract liabilities		235,276,264	199,048,343
Financial liabilities			
Ijara payables		25,522,080	28,925,024
Amounts held under reinsurance treaties		5,082,083	5,131,005
Insurance payables		71,849,587	46,378,361
Trade payables and accruals		12,789,049	19,252,441
Employees' end of service benefits		1,720,152	2,075,840
Accrued zakat		1,520,560	1,869,171
		353,759,775	302,680,185
Total liabilities		355,583,337	304,578,669
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		586,542,318	575,762,807

Assistant Chief Operating Officer
21 July 2008

Financial Manager
21 July 2008

The attached explanatory notes 1 to 11 form part of these financial statements.

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

INTERIM CASH FLOW STATEMENT

30 June 2008

	Note	Six months ended 30 June	
		2008 AED	2007 AED
OPERATING ACTIVITIES			
Profit for the period		7,717,365	14,026,124
Adjustments for:			
Depreciation		582,234	783,281
Changes in fair value of investments carried at fair value through income statement	4	7,972,001	(8,465,187)
Provision for employees' end of service benefits (net of reversal)		(110,207)	148,747
		<u>16,161,393</u>	<u>6,492,965</u>
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(26,450,651)	4,978,961
Reinsurance assets		(9,155,208)	(29,976,422)
Insurance receivables		(35,621,773)	(41,301,644)
Prepayments and other receivables		60,390,860	(1,849,423)
Insurance contract liabilities		36,227,921	59,335,193
Amount held under reinsurance treaties		(48,922)	888,871
Insurance payable		25,471,226	19,777,810
Trade payables and accruals		(6,463,392)	(37,284)
		<u>60,511,454</u>	<u>18,309,027</u>
Cash from operations		(245,481)	-
Employees' end of service benefits paid			
Net cash from operating activities		<u>60,265,973</u>	<u>18,309,027</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(648,174)	(535,900)
Financial assets, available-for-sale		(48,458,223)	(24,912,719)
Realisation of investment deposits		-	25,561,270
Purchase of investment property		-	(45,308,055)
		<u>(49,106,397)</u>	<u>(45,195,404)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Ijara taken		-	34,029,440
Ijara repaid		(3,402,944)	(1,701,472)
Murabaha repaid		-	(4,263,257)
Dividend paid		(20,000,000)	-
Decrease in policyholders' funds		(74,922)	-
Zakat paid		(348,611)	(430,515)
		<u>(23,826,477)</u>	<u>27,634,196</u>
Net cash (used in) from financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(12,666,901)</u>	<u>747,819</u>
Cash and cash equivalents at the beginning of the period		<u>32,416,914</u>	<u>26,011,362</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE		<u>19,750,013</u>	<u>26,759,181</u>

The attached explanatory notes 1 to 11 form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

30 June 2008

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Proposed dividends AED	Cumulative changes in fair values of securities AED	Total AED
Balance at 1 January 2008	200,000,000	12,278,225	12,278,225	33,291,846	20,000,000	(6,664,158)	271,184,138
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(27,942,522)	(27,942,522)
Total income recognised directly in equity	-	-	-	-	-	(27,942,522)	(27,942,522)
Profit for the period	-	-	-	7,717,365	-	-	7,717,365
Total income and expense for the period	-	-	-	7,717,365	-	(27,942,522)	(20,225,157)
Dividend paid	-	-	-	-	(20,000,000)	-	(20,000,000)
Balance at 30 June 2008	200,000,000	12,278,225	12,278,225	41,009,211	-	(34,606,680)	230,958,981
Balance at 1 January 2007	200,000,000	8,122,205	8,122,205	23,673,409	-	(24,704,293)	215,213,526
Increase in fair value of available-for-sale investments	-	-	-	-	-	2,657,534	2,657,534
Total income recognised directly in equity	-	-	-	-	-	2,657,534	2,657,534
Profit for the period	-	-	-	14,026,124	-	-	14,026,124
Total income and expense for the period	-	-	-	14,026,124	-	-	14,026,124
Balance at 30 June 2007	200,000,000	8,122,205	8,122,205	37,699,533	-	(22,046,759)	231,897,184

The attached explanatory notes 1 to 11 form part of these financial statements.

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 June 2008

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 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 2007.

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 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.

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
 30 June 2008

3 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised into two business segments, 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:

	3 months ended 30 June					
	2008		2007		Total	
	Attributable to		Attributable to			
	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	2008 AED	2007 AED
General Insurance						
Underwriting income	46,985,069	-	27,278,186	-	46,985,069	27,278,186
Underwriting expenses	(34,875,136)	-	(25,207,993)	-	(34,875,136)	(25,207,993)
Net underwriting income	12,109,933		2,070,193		12,109,933	2,070,193
Wakala fees	(24,875,800)	24,875,800	(12,930,779)	12,930,779	-	-
Mudarib fees	116,902	(116,902)	(2,048,575)	2,048,575	-	-
	(12,648,965)	24,758,898	(12,909,161)	14,979,354	12,109,933	2,070,193
Investment						
Investment income (loss)	(467,609)	(963,236)	9,115,035	7,925,582	(1,430,845)	17,040,617
Other income	-	177,772	-	-	177,772	-
Unallocated other expenses	-	(9,182,958)	-	(9,604,892)	(9,182,958)	(9,604,892)
Deficit attributable to policyholders	(13,116,574)		(3,794,126)			
Provision against loan to policyholders' fund		(13,116,574)		(3,794,126)		
Profit for the period		1,673,902		9,505,918	1,673,902	9,505,918

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC)
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 30 June 2008

3 SEGMENTAL INFORMATION (continued)

Primary segment information - continued

6 months ended 30 June

	2008		2007		
	Attributable to		Attributable to		Total
	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	
General Insurance					
Underwriting income	91,139,303	-	61,053,882	-	61,053,882
Underwriting expenses	(65,975,904)	-	(46,221,063)	-	(46,221,063)
Net underwriting income	25,163,399	-	14,832,819	-	25,163,399
Wakala fees	(39,834,004)	39,834,004	(29,282,950)	29,282,950	-
Mudarib fees	(5,095)	5,095	(2,048,575)	2,048,575	-
	(14,675,700)	39,839,099	(16,498,706)	31,331,525	25,163,399
Investment					
Investment income (loss)	20,379	20,449	8,194,299	6,947,792	15,142,091
Other income	-	177,772	-	-	177,772
Unallocated other expenses	-	(17,664,634)	-	(15,948,786)	(17,664,634)
Deficit attributable to policyholders	(14,655,321)		(8,304,407)		(15,948,786)
Provision against loan to policyholders' fund		(14,655,321)		(8,304,407)	
Profit for the period		7,717,365		14,026,124	7,717,365
					14,026,124

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2008

4 INVESTMENT (LOSSES) INCOME

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Fair value gains and losses:				
Fair value (loss) gain on investments carried at fair value through income statement	(2,797,261)	12,748,556	(7,972,001)	8,465,187
Realised gains and losses				
Income from sale of investments carried at fair value through income statement	473,542	3,650,301	4,232,793	3,650,301
Other investment income				
Income from investment deposits	204,283	261,239	403,628	530,708
Income from investment in real estate funds	438,299	348,177	739,774	553,885
Income from investment in other funds	-	92,032	-	183,052
Dividend received	471,312	996,258	3,630,338	3,826,539
Other income	40,750	213,840	40,750	213,840
Investment financing	(261,770)	(1,269,786)	(1,034,454)	(2,281,421)
	<u>(1,430,845)</u>	<u>17,040,617</u>	<u>40,828</u>	<u>15,142,091</u>
<i>Allocated to:</i>				
Policyholders	(467,609)	9,115,035	20,379	8,194,299
Shareholders	(963,236)	7,925,582	20,449	6,947,792
	<u>(1,430,845)</u>	<u>17,040,617</u>	<u>40,828</u>	<u>15,142,091</u>

Investment losses or income are allocated to the shareholders in the ratio of equity at beginning of the year to total assets at the end of the period excluding the current period profit, furniture and equipment and end of service benefits. The remaining income or loss is allocated to the policyholders. This allocation to policyholders is approved by the Company's Sharia'a Supervisory Board on an annual basis.

5 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:

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Profit for the period	1,673,902	9,505,918	7,717,365	14,026,124
Weighted average number of shares outstanding during the year	200,000,000	200,000,000	200,000,000	200,000,000
Basic and diluted earnings per share (AED)	0.01	0.05	0.04	0.07

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

The basic earnings per share as reported for three-month and six-month periods ended 30 June 2007 have been adjusted for the effect of change in the par value of the shares (Note 6).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2008

6 SHARE CAPITAL

	30 June 2008 AED	31 December 2007 AED
Issued and fully paid – 200,000,000 shares of AED 1 each (31 December 2007: 20,000,000 shares of AED 10 each)	200,000,000	200,000,000

At the Extraordinary General Meeting held on 25 May 2008, the shareholders of the Company resolved to split the shares' nominal value from AED 10 to AED 1 per share, thereby increasing the number of shares from 20 million to 200 million. At the same meeting, the shareholders also resolved that GCC Nationals and other foreigners can hold upto 15% each in the share capital of the Company and the balance 70% should be held by UAE Nationals.

7 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 six month period ended 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.

8 GENERAL RESERVE

The Company is required to transfer 10% of the profit for the year to a general reserve in accordance with its Articles of Association. No transfer has been made to the general reserve during the six-month period ended 30 June 2008, as this will be based on the results for the year.

9 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 Company's banker, Dubai Islamic Bank PJSC (DIB) and its subsidiaries own an equity interest of 6% in the Company. The Managing Director of the Company is also a key management executive of Leader Capital, 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 management.

During the period, the Company purchased 3,276,520 shares of Al Salam Bank – Bahrain for AED 9.21 million from Leader Capital. These shares are registered in the name of Leader Capital which is holding it in trust for and on behalf of the Company. The market value of the shares as at the end of the period was AED 8.52 million.

10 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 June 2008, 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 613,225 (31 December 2007: AED 1,314,200).

Legal claims

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

Commitments

The Company has a commitment for AED 14.7 million (2007: AED 14.7 million) on account of investments made in securities. The Company has to pay this amount as and when calls are made by the investee company.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2008

11 SEASONALITY OF RESULTS

Dividend income of AED 471,312 and AED 3,630,338 for the three month and six month periods ended 30 June 2008 respectively and AED 996,258 and AED 3,826,539 for the three month and six month periods ended 30 June 2007 is of a seasonal nature.