

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

Introduction

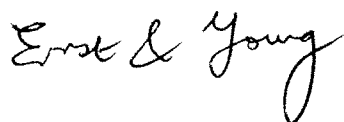
We have reviewed the accompanying interim balance sheet of Dubai Insurance Company (PSC) (the "Company") at 30 June 2007 and the related interim statements of income for the three-month and six month periods then ended, the related statements of cash flows and changes in equity for the six month period 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 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 number: 93

15 July 2007

Dubai

Dubai Insurance Company (PSC)

INCOME STATEMENT

30 June 2007 (Unaudited)

		Three month period ended 30 June		Six month period ended 30 June	
	Note	2007 AED	2006 AED	2007 AED	2006 AED
UNDERWRITING INCOME					
Gross premium					
Insurance contracts premium receivable		15,940,811	4,353,884	31,180,666	11,581,543
Movement in provision for unearned premium		(7,726,887)	548,343	(11,417,519)	1,060,548
Insurance premium revenue		8,213,924	4,902,227	19,763,147	12,642,091
Less: Reinsurers' share of premium					
Insurance contracts premium receivable		7,858,432	3,169,981	14,266,082	7,152,818
Movement in provision for unearned premium		(2,343,898)	752,312	(3,044,928)	1,417,257
		5,514,534	3,922,293	11,221,154	8,570,075
Net insurance premium revenue		2,699,390	979,934	8,541,993	4,072,016
Commission income on ceded reinsurance		2,457,158	936,642	4,313,246	2,387,323
		5,156,547	1,916,576	12,855,239	6,459,339
UNDERWRITING EXPENSES					
Gross claims		3,037,786	4,440,869	2,391,034	5,164,258
Reinsurers' share of claims		(1,821,526)	(3,752,348)	119,150	(3,362,464)
		1,216,260	688,521	2,510,184	1,801,794
Insurance commission expenses		1,522,008	70,524	2,802,118	326,472
General and administrative expenses relating to underwriting activities		1,304,917	633,198	2,306,197	1,297,048
		4,043,185	1,392,243	7,618,499	3,425,314
NET UNDERWRITING RESULT		1,113,363	524,333	5,236,740	3,034,025
INVESTMENT INCOME					
Net gain (loss) on trading securities		3,216,851	(45,435,000)	5,560,376	(37,578,000)
Dividends		4,531,330	195,549	9,277,268	6,190,856
Interest income		726,838	582,392	1,409,592	1,363,830
Rental income		421,465	335,675	820,016	1,041,705
Investment property expenses		(307,774)	(276,521)	(585,582)	(545,881)
		8,588,710	(44,597,905)	16,481,670	(29,527,490)
OTHER INCOME AND EXPENSES					
General and administrative expenses not allocated		(422,693)	(211,066)	(755,252)	(432,349)
Other income		(2,849)	109,677	(2,849)	109,827
PROFIT (LOSS) FOR THE PERIOD		9,276,531	(44,174,961)	20,960,309	(26,815,987)
Basic and diluted earnings per share	3	1.24	(5.89)	2.79	(3.58)

The attached explanatory notes 1 to 9 form part of the interim condensed financial statements.

Dubai Insurance Company (PSC)

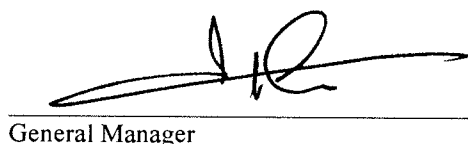
BALANCE SHEET

30 June 2007 (Unaudited)

		30 June 2007 AED	Audited 31 December 2006 AED	30 June 2006 AED
	Notes			
ASSETS				
Cash and investments:				
Bank balances and cash		4,782,324	2,630,586	3,935,402
Deposits with banks		47,548,656	46,428,779	45,215,849
Investments		272,931,734	247,380,633	293,926,364
Investment property		4,260,780	4,628,610	4,996,441
		329,523,494	301,068,608	348,074,056
Premiums and insurance balances receivable		19,560,846	7,725,172	4,868,253
Reinsurers' share of unearned premiums		8,699,276	5,654,348	3,252,383
Reinsurers' share of outstanding claims		25,071,847	31,291,643	15,748,562
Office equipment and vehicles		552,784	401,205	238,175
Other assets		3,305,737	632,179	1,484,894
		57,190,490	45,704,547	25,592,267
TOTAL ASSETS		386,713,984	346,773,155	373,666,323
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		75,000,000	75,000,000	75,000,000
Statutory reserve	5	37,500,000	37,500,000	37,500,000
General reserve	6	3,500,000	3,500,000	3,500,000
Retained earnings		57,276,601	36,316,292	40,313,908
Proposed dividends		-	7,500,000	-
Cumulative changes in fair values		149,489,606	132,786,620	181,031,992
Total equity		322,766,207	292,602,912	337,345,900
Liabilities				
Liabilities arising from insurance contracts				
Unearned premiums		20,636,209	9,218,690	7,178,766
Additional reserve		1,250,000	2,200,000	2,200,000
Gross outstanding claims		28,569,807	34,256,885	18,367,390
Total current liabilities		50,456,016	45,675,575	27,746,156
Reinsurance balances payable		2,410,199	1,516,277	2,500,861
Amounts held under reinsurance treaties		3,481,683	2,729,215	2,576,683
Other payables and accruals		6,265,301	2,884,724	543,241
Employees' end of service benefits		1,334,578	1,364,452	2,953,482
Total liabilities		63,947,777	54,170,243	36,320,423
TOTAL EQUITY AND LIABILITIES		386,713,984	346,773,155	373,666,323

Approved by Management on 15 July 2007.


Chairman


General Manager

The attached explanatory notes 1 to 9 form part of the interim condensed financial statements.

Dubai Insurance Company (PSC)

CASH FLOW STATEMENT

30 June 2007 (Unaudited)

		Six month period ended 30 June	
	Note	2007 AED	2006 AED
OPERATING ACTIVITIES			
Profit (loss) for the period		20,960,309	(26,815,987)
Adjustments for:			
Depreciation relating to investment property		367,830	367,830
Depreciation relating to furniture and equipment		78,969	54,906
Provision for employees' end of service benefits		59,526	225,000
Gain on sale of furniture and equipment		-	(25,000)
Interest on bank deposits		(1,409,592)	(1,363,830)
Dividend income		(9,277,268)	(6,190,856)
Movement in unearned premiums		11,417,519	(1,060,548)
Movement in reinsurers' share of unearned premiums		(3,044,928)	1,417,257
		<u>19,152,365</u>	<u>(33,391,228)</u>
Changes in operating assets and liabilities:			
Trading securities		(6,720,621)	37,578,000
Premiums and insurance balances receivable		(11,835,674)	65,314
Reinsurers' share of outstanding claims		6,219,796	365,377
Other assets		(2,673,558)	(42,588)
Additional reserve		(950,000)	-
Outstanding claims		(5,687,078)	(433,131)
Reinsurance balances payable		893,922	362,103
Amounts held under reinsurance treaties		752,468	-
Other payables and accruals		3,380,577	101,867
		<u>2,532,197</u>	<u>4,605,714</u>
Cash from operations			
End of service benefits paid		(89,400)	-
		<u>2,442,797</u>	<u>4,605,714</u>
Net cash used in operating activities			
		<u>2,442,797</u>	<u>4,605,714</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(230,548)	(179,905)
Purchase of available-for-sale securities		(2,127,494)	(15,406,235)
Interest on bank deposits		1,409,592	1,363,830
Dividend income		9,277,268	6,190,856
Proceeds from sale of furniture and equipment		-	25,000
Deposits with bank		15,000	-
		<u>8,343,818</u>	<u>(8,006,454)</u>
Net cash from (used in) investing activities			
		<u>8,343,818</u>	<u>(8,006,454)</u>
FINANCING ACTIVITIES			
Dividends paid		(7,500,000)	(22,500,000)
Directors' remuneration paid		-	(150,000)
		<u>(7,500,000)</u>	<u>(22,650,000)</u>
Net cash used in financing activities			
		<u>(7,500,000)</u>	<u>(22,650,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>3,286,615</u>	<u>(26,050,740)</u>
Cash and cash equivalents at the beginning of the period		41,544,365	67,701,991
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>44,830,980</u>	<u>41,651,251</u>

The attached explanatory notes 1 to 9 form part of the interim condensed financial statements.

Dubai Insurance Company (PSC)

STATEMENT OF CHANGES IN EQUITY 30 June 2007 (Unaudited)

	Note	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Proposed dividend AED	Cumulative changes in fair values AED	Total AED
Balance at 1 January 2007		75,000,000	37,500,000	3,500,000	36,316,292	7,500,000	132,786,620	292,602,912
Net movement in cumulative changes in fair values		-	-	-	-	-	16,702,986	16,702,986
Total income recognised directly in equity		-	-	-	-	-	16,702,986	16,702,986
Profit for the period		-	-	-	20,960,309	-	-	20,960,309
Total income for the period		-	-	-	20,960,309	-	16,702,986	37,663,295
Cash dividend paid for 2006		-	-	-	-	(7,500,000)	-	(7,500,000)
Balance at 30 June 2007		75,000,000	37,500,000	3,500,000	57,276,601	-	149,489,606	322,766,207
Balance at 1 January 2006		75,000,000	37,500,000	3,500,000	67,279,895	22,500,000	265,720,000	471,499,895
Net movement in cumulative changes in fair values		-	-	-	-	-	(84,688,008)	(84,688,008)
Total expenses recognised directly in equity		-	-	-	-	-	(84,688,008)	(84,688,008)
Loss for the period		-	-	-	(26,815,987)	-	-	(26,815,987)
Total expenses for the period		-	-	-	(26,815,987)	-	(84,688,008)	(111,503,995)
Directors' fees for 2005		-	-	-	(150,000)	-	-	(150,000)
Cash dividend paid for 2005		-	-	-	-	(22,500,000)	-	(22,500,000)
Balance at 30 June 2006		75,000,000	37,500,000	3,500,000	40,313,908	-	181,031,992	337,345,900
	(Note 5)							
	(Note 6)							

The attached explanatory notes 1 to 9 form part of the interim condensed financial statements.

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007 (Unaudited)

1 ACTIVITIES

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

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 policies

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 change in the basis of calculation of additional reserve and adoption of new standards and interpretations, noted below;

Calculation of additional reserve

Until the previous year, additional reserve included a provision for shortfall in unearned premiums calculated by reference to 1/8th method and unearned premiums calculated in accordance with UAE Federal Law No. 9 of 1984 (as amended), at 40% of net written premiums for all classes of business except marine which is calculated at 25%. With effect from 1 January 2007, the Board of Directors has decided to change the policy of the Company whereby no additional provision is made for the abovementioned shortfall in unearned premiums.

As a result of the change, net profit for the period is higher by AED 2,255,739.

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 and should be read in conjunction with the Company's annual financial statements as at 31 December 2006. In addition, results for the six months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007 (Unaudited)

3 BASIC AND DILUTED 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>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Profit for the period	9,276,531	(44,174,961)	20,960,309	(26,815,987)
Weighted average number of shares outstanding during the period	7,500,000	7,500,000	7,500,000	7,500,000
Basic earnings per share (AED)	1.24	(5.89)	2.79	(3.58)

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

4 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2007 AED</i>	<i>Audited 31 December 2006 AED</i>	<i>30 June 2006 AED</i>
Cash and bank balances	4,782,324	2,630,586	3,935,402
Deposits with banks maturing within three months	40,048,656	38,913,779	37,715,849
	<u>44,830,980</u>	<u>41,544,365</u>	<u>41,651,251</u>

5 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 six months period to 30 June 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.

6 GENERAL RESERVE

No transfer has been made to the general reserve during the six month period to 30 June 2007, as this will be based on the results for the year.

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007 (Unaudited)

7 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised into two business segments; insurance and investment. The insurance segment comprises motor, marine, fire, engineering, general accident, medical and group life insurance. 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>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Insurance				
Underwriting income	5,156,548	1,916,576	12,855,239	6,459,339
Underwriting expenses	(4,043,185)	(1,392,243)	(7,618,499)	(3,425,314)
Net underwriting income	1,113,363	524,333	5,236,740	3,034,025
Investment				
Investment income	8,588,710	(44,597,905)	16,481,670	(29,527,490)
Unallocated other income and expenses	(425,542)	(101,389)	(758,101)	(322,522)
Profit (loss) for the period	9,276,531	(44,174,961)	20,960,309	(26,815,987)

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.

8 SEASONALITY OF RESULTS

Revenue includes dividend income of AED 4,531,330 and AED 9,277,268 for three month and six month periods ended 30 June 2007, respectively, and AED 195,549 and AED 6,190,856 for three month and six month periods ended 30 June 2006, respectively, which is of a seasonal nature.

9 CONTINGENCIES

At 30 June 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 7,536,000 (2006: AED 7,500,000).