

**Dubai Insurance Company
(Public Shareholding Company)**

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

30 SEPTEMBER 2008 (UNAUDITED)

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

Introduction

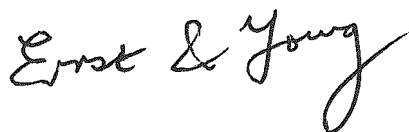
We have reviewed the accompanying interim balance sheet of Dubai Insurance Company (PSC) (the "Company") as at 30 September 2008 and the related interim statements of income for the three-months and nine-months period then ended and the related statements of cash flows and changes in equity for the nine-month 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

22 October 2008

Dubai, United Arab Emirates

Dubai Insurance Company (PSC)

INCOME STATEMENT

30 September 2008 (Unaudited)

		Three months period ended 30 September		Nine months period ended 30 September	
	Notes	2008 AED	2007 AED	2008 AED	2007 AED
UNDERWRITING INCOME					
Insurance contracts premium receivable		29,928,642	13,508,266	101,553,133	44,688,932
Movement in provision for unearned premium		(4,042,936)	(1,994,227)	(15,354,090)	(13,411,746)
Insurance premium revenue		25,885,706	11,514,039	86,199,043	31,277,186
Less: Reinsurers' share of premium		(13,765,893)	(6,564,627)	(41,731,480)	17,491,406
Net insurance premium revenue		12,119,813	4,949,412	44,467,563	13,785,780
Commission income		3,623,770	2,397,087	9,933,816	6,710,333
		<u>15,743,583</u>	<u>7,346,499</u>	<u>54,401,379</u>	<u>20,496,113</u>
UNDERWRITING EXPENSES					
Claims		12,083,617	4,908,197	34,328,393	7,299,231
Reinsurers' share of claims		(6,130,941)	(1,283,928)	(16,418,726)	(1,164,778)
Commission expenses		3,591,916	1,275,521	15,357,583	4,077,639
Excess of loss reinsurance premium		177,875	23,438	533,625	317,813
General and administrative expenses relating to underwriting activities		1,332,884	1,150,834	4,908,533	3,457,031
		<u>11,055,351</u>	<u>6,074,062</u>	<u>38,709,408</u>	<u>13,986,936</u>
NET UNDERWRITING INCOME		<u>4,688,232</u>	<u>1,272,437</u>	<u>15,691,971</u>	<u>6,509,177</u>
INVESTMENT INCOME					
Realised gains on investments		-	2,191,835	38,787,164	5,553,372
Gain on sale of investment property		-	-	18,016,362	-
Fair value gains and losses		(638,624)	(1,612,739)	(289,269)	586,100
Other investment income		1,163,689	917,346	8,235,681	11,838,640
		<u>525,065</u>	<u>1,496,442</u>	<u>64,749,938</u>	<u>17,978,112</u>
OTHER INCOME AND EXPENSES					
General and administrative expenses not allocated		(434,328)	(379,442)	(1,602,303)	(1,134,694)
Other income/(expenses)		27,016	(34,287)	115,565	(37,136)
		<u>(407,312)</u>	<u>(413,729)</u>	<u>(1,486,738)</u>	<u>(1,171,830)</u>
PROFIT FOR THE PERIOD		<u>4,805,985</u>	<u>2,355,150</u>	<u>78,955,171</u>	<u>23,315,459</u>
Earnings per share (AED)	3	0.48	0.24	7.90	2.33

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

Dubai Insurance Company (PSC)

BALANCE SHEET

At 30 September 2008 (Unaudited)

		<i>30 September 2008 AED</i>	<i>Audited 31 December 2007 AED</i>
	<i>Notes</i>		
ASSETS			
Office equipment and vehicles		1,204,152	501,847
Investment property	4	3,341,205	3,892,950
Advance for purchase of investment property		21,653,450	20,169,250
Financial assets - Investments			
At fair value through profit or loss	5	5,233,670	6,992,122
Held-to-maturity	5	-	1,849,505
Available for sale	5	329,874,766	362,315,685
Reinsurance assets		38,511,661	20,256,479
Insurance receivables		67,948,384	33,481,353
Prepayments and other receivables		2,160,087	1,268,126
Statutory deposits		7,500,000	7,500,000
Cash and cash equivalents		87,379,252	53,391,455
TOTAL ASSETS		564,806,627	511,618,772
EQUITY AND LIABILITIES			
Equity			
Share capital	6	100,000,000	75,000,000
Statutory reserve	7	37,500,000	37,500,000
General reserve	8	3,500,000	3,500,000
Retained earnings		133,646,816	54,691,645
Proposed dividends – scrip		-	25,000,000
Cumulative changes in fair values of securities		189,862,805	252,291,888
Total equity		464,509,621	447,983,533
Liabilities			
Insurance contract liabilities		65,638,086	43,762,014
Amounts held under reinsurance treaties		7,409,229	4,765,782
Reinsurance balances payable		15,210,627	4,424,507
Trade and other payables		12,039,064	10,682,936
Total liabilities		100,297,006	63,635,239
TOTAL EQUITY AND LIABILITIES		564,806,627	511,618,772

Approved by Management on 22 October 2008.


Chairman


General Manager

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

Dubai Insurance Company (PSC)

CASH FLOW STATEMENT

30 September 2008 (Unaudited)

		Nine month period ended 30 September	
	Note	2008 AED	2007 AED
OPERATING ACTIVITIES			
Profit for the period		78,955,171	23,315,459
Adjustments for:			
Depreciation on office equipment and vehicles		267,995	184,064
Depreciation on investment property		551,745	551,745
Provision for employees' end of service benefits		203,059	89,014
Gain on sale of available for sale securities		(38,747,034)	-
Gain on sale of investment property		(18,016,362)	-
Loss on sale of office equipment and vehicles		-	33,137
		<u>23,214,574</u>	<u>24,173,419</u>
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		1,758,452	31,067,784
Reinsurance assets		(18,255,182)	1,617,767
Insurance receivables		(34,467,031)	(16,874,293)
Prepayments and other receivables		(891,961)	(458,342)
Insurance contract liabilities		21,876,072	9,586,219
Amounts held under reinsurance treaties		2,643,447	1,428,375
Reinsurance balances payable		10,786,120	2,736,725
Trade and other payables		1,651,128	1,966,806
		<u>8,315,619</u>	<u>55,244,460</u>
Cash from operations		(498,059)	(90,098)
Employees' end of service paid			
		<u>7,817,560</u>	<u>55,154,362</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Proceeds from sale of investment property		65,532,042	-
Proceeds from sale of office equipment and vehicles		-	50,000
Purchase of office equipment and vehicles		(970,300)	(406,940)
Proceeds from investment in held-to-maturity		1,849,505	-
Purchase of available-for-sale securities		(38,767,564)	(42,330,227)
Proceeds from sale of available-for-sale securities		47,526,434	-
Advance made on purchase of investment property		(21,653,450)	-
Payments made for purchase of investment property		(27,346,430)	-
Statutory deposits		-	15,000
		<u>26,170,237</u>	<u>(42,672,167)</u>
Net cash from (used) in investing activities			
FINANCING ACTIVITY			
Dividends paid		-	(7,500,000)
		<u>-</u>	<u>(7,500,000)</u>
Net cash used in financing activities			
		<u>33,987,797</u>	<u>4,982,195</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		53,391,455	41,544,365
		<u>87,379,252</u>	<u>46,526,560</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	9		

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

Dubai Insurance Company (PSC)

STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2008 (Unaudited)

	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 2008	75,000,000	37,500,000	3,500,000	54,691,645	25,000,000	252,291,888	447,983,533
Decrease in fair value of available for sale securities	-	-	-	-	-	(23,682,049)	(23,682,049)
Realised gain (net) on sale of available for sale securities	-	-	-	-	-	(38,747,034)	(38,747,034)
Total income and expense recognised directly in equity	-	-	-	-	-	(62,429,083)	(62,429,083)
Profit for the period	-	-	-	78,955,171	-	-	78,955,171
Total income and expense for the period	-	-	-	78,955,171	-	(62,429,083)	16,526,088
Scrip dividend	25,000,000	-	-	-	(25,000,000)	-	-
Balance at 30 September 2008	100,000,000	37,500,000	3,500,000	133,646,816	-	189,862,805	464,509,621
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
Increase in fair value of available for sale securities	-	-	-	-	-	23,530,450	23,530,450
Total income and expense recognised directly in equity	-	-	-	-	-	23,530,450	23,530,450
Profit for the period	-	-	-	23,315,459	-	-	23,315,459
Total income and expense for the period	-	-	-	23,315,459	-	23,530,450	46,845,909
Dividend paid	-	-	-	-	(7,500,000)	-	(7,500,000)
Balance at 30 September 2007	75,000,000	37,500,000	3,500,000	59,631,751	-	156,317,070	331,948,821
	(Note 6)	(Note 7)	(Note 8)				

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2008 (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, medical and group life risks (collectively termed as general insurance). 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 United Arab Emirates.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. 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 nine months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

2.2 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 2007, except for the adoption of new standards and interpretations, noted below:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted as an equity - settled scheme, even if the entity buys instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the Company.

IFRIC 14 IAS 19- The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this interpretation had no impact on the financial position or performance of the Company.

In accordance with the requirement of Securities Authority and Commodities (Circular dated 12-10-2008) following significant accounting policies of Company's financial statements as of 31 December 2007 are reproduced the below:

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Company. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the income statement in the period in which it is incurred.

Subsequently, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 4-33 years. All subsequent additions are depreciated over the remaining useful lives of investment properties.

No depreciation is charged on freehold land.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 ACCOUNTING POLICIES (continued)

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

Financial assets

The Company classifies its investments into financial assets at fair value through profit or loss and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated.

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

3 EARNINGS PER SHARE

Earnings per share is 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 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2008 AED</i>	<i>2007 AED</i>	<i>2008 AED</i>	<i>2007 AED</i>
Net profit for the period	4,805,985	2,355,150	78,955,171	23,315,459
Weighted average number of shares outstanding during the period	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per share (AED)	0.48	0.24	7.90	2.33

The earnings per share as reported for the prior period has 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.

4 INVESTMENT PROPERTY

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

5 FINANCIAL ASSETS – INVESTMENTS

Investment in financial assets represent investments in quoted and unquoted shares of companies incorporated in United Arab Emirates.

6 SHARE CAPITAL

	<i>30 September 2008 AED</i>	<i>Audited 31 December 2007 AED</i>
Issued and fully paid 10,000,000 shares of AED 10 each (2007: – 7,500,000 shares of AED 10 each)	<u>100,000,000</u>	<u>75,000,000</u>

At the annual general meeting held on 16 March 2008, the shareholders approved a scrip dividend of AED 3.33 per share for every AED 10 share held. Accordingly, the number of shares increased to 10,000,000. Legal formalities for registration of the scrip dividend were completed during the period.

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. 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 nine months period to 30 September 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

8 GENERAL RESERVE

No transfer has been made to the general reserve during the nine month period to 30 September 2008, as this will be based on the results for the year.

9 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2008 AED</i>	<i>30 September 2007 AED</i>
Bank balances and cash	9,690,399	7,771,212
Deposits with banks maturing within three months	77,688,853	40,607,883
Bank overdraft	-	(1,852,535)
	<u>87,379,252</u>	<u>46,526,560</u>

The entire bank balances and bank deposits is within United Arab Emirates.

10 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 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2008 AED</i>	<i>2007 AED</i>	<i>2008 AED</i>	<i>2007 AED</i>
Insurance				
Underwriting income	15,743,583	7,346,499	54,401,379	20,496,113
Underwriting expenses	(11,055,351)	(6,074,062)	(38,709,408)	(13,986,936)
Net underwriting income	<u>4,688,232</u>	<u>1,272,437</u>	<u>15,691,971</u>	<u>6,509,177</u>
Investment				
Investment income	525,065	1,496,442	64,749,938	17,978,112
Unallocated other income and expenses	(407,312)	(413,729)	(1,486,738)	(1,171,830)
Profit for the period	<u>4,805,985</u>	<u>2,355,150</u>	<u>78,955,171</u>	<u>23,315,459</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.

11 SEASONALITY OF RESULTS

Revenue includes dividend income of AED 255,824 and AED 6,405,502 for three month and nine month periods ended 30 September 2008, respectively, and AED 82,116 and AED 9,359,384 for three month and nine month periods ended 30 September 2007, respectively, which is of a seasonal nature.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

12 CAPITAL COMMITMENTS

	<i>30 September 2008 AED</i>	<i>Audited 31 December 2007 AED</i>
Commitment in respect of purchase of investment properties (plots of land in the UAE)	<u>21,653,450</u>	<u>181,523,250</u>

13 CONTINGENCIES

At 30 September 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 it is anticipated that no material liabilities will arise, amounting to AED 7,566,000 (2007: AED 7,539,000).

14 SUBSEQUENT EVENT

As a result of the ongoing global credit crisis, financial markets regionally have been subject to significant declines during October. As of the date of approval of the financial statements, the market value of the Company's available for sale investments had declined by around AED 36,985,000 (12%) from the balance sheet market value.