

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2011 (UNAUDITED)

REPORT ON REVIEW OF THE 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 30 September 2011, comprising the interim consolidated statement of financial position as at 30 September 2011 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the nine-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 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Signed by
Joseph A. Murphy
Partner
Registration number: 492

26 October 2011

Dubai, United Arab Emirates

Dubai Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2011 (Unaudited)

		<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>Note</i>	<i>2011 AED '000</i>	<i>2010 AED '000</i>	<i>2011 AED '000</i>	<i>2010 AED '000</i>
UNDERWRITING INCOME					
Gross premium		73,968	54,878	218,058	170,412
Movement in provision for unearned premium		(14,933)	(7,494)	(32,560)	(20,937)
Insurance premium revenue		59,035	47,384	185,498	149,475
Reinsurance share of premium		57,236	30,079	150,901	91,545
Movement in provision for reinsurance share of unearned premium		(18,407)	(7,025)	(31,302)	(15,990)
		38,829	23,054	119,599	75,555
Net insurance premium revenue		20,206	24,330	65,899	73,920
Reinsurance commission income		3,140	3,567	19,346	11,107
Other operating income (expense)		1,868	(840)	1,400	(73)
		25,214	27,057	86,645	84,954
UNDERWRITING EXPENSES					
Claims incurred		26,871	21,748	105,841	68,575
Reinsurers' share of claims incurred		(16,779)	(7,516)	(62,087)	(35,577)
Commission expenses		5,274	6,564	16,583	26,962
Excess of loss reinsurance premium		253	233	788	701
General and administrative expenses relating to underwriting activities		2,793	2,426	8,097	6,994
		18,412	23,455	69,222	67,655
NET UNDERWRITING INCOME		6,802	3,602	17,423	17,299
INVESTMENT INCOME					
Realised gains on investments		(22)	-	(22)	-
Fair value (losses) gain on financial assets at fair value through profit or loss		89	55	(465)	(429)
Other investment income		1,045	729	10,625	9,036
Other investment costs		(55)	-	(55)	-
		1,057	784	10,083	8,607
OTHER INCOME AND EXPENSES					
General and administrative expenses not allocated		(920)	(804)	(3,143)	(2,291)
Other income (expenses)		(106)	333	479	(351)
		(1,026)	(471)	(2,664)	(2,642)
PROFIT FOR THE PERIOD		6,833	3,915	24,842	23,264
Basic and diluted earnings per share (AED)	3	0.068	0.039	0.248	0.231

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

Dubai Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011 AED '000</i>	<i>2010 AED '000</i>	<i>2011 AED '000</i>	<i>2010 AED '000</i>
Profit for the period	6,833	3,915	24,842	23,264
OTHER COMPREHENSIVE INCOME				
Net unrealized (losses) gains on investments	(6,590)	10,454	787	(21,634)
Other comprehensive income for the period	(6,590)	10,454	787	(21,634)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	243	14,369	25,629	1,630

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

Dubai Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011 (Unaudited)

		30 September 2011 AED '000	31 December 2010 AED '000 Audited
	Notes		
ASSETS			
Property, plant and equipment	4	44,282	1,205
Investment property	5	1,670	1,686
Advance for purchase of land	4	-	43,307
Financial assets	6	228,410	208,368
Reinsurance assets		118,987	83,265
Insurance receivables		130,126	99,650
Prepayments and other receivables		4,928	4,387
Statutory deposits		10,000	10,000
Cash and cash equivalents	7	16,531	26,598
TOTAL ASSETS		554,934	478,466
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100,000	100,000
Statutory reserve	10	49,296	49,296
General reserve	11	3,500	3,500
Retained earnings		102,552	77,710
Cumulative changes in fair value of investments		23,095	22,308
Proposed dividends – cash		-	25,000
Total equity		278,443	277,814
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,471	1,371
Bank loan	8	18,420	-
		19,891	1,371
Current liabilities			
Insurance contract liabilities		167,051	124,958
Amounts held under reinsurance treaties		10,606	10,494
Reinsurance balances payable		56,707	34,578
Trade and other payables		22,236	29,251
		256,600	199,281
Total liabilities		276,491	200,652
TOTAL EQUITY AND LIABILITIES		554,934	478,466

Approved by Management on 26 October 2011.


Buti Obaid Al Mulla
Chairman


Abdellatif Abuqurah
Chief Executive Officer

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

Dubai Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2011 (Unaudited)

		Nine month period ended 30 September	
	Note	2011 AED '000	2010 AED '000
OPERATING ACTIVITIES			
Profit for the period		24,842	23,264
Adjustments for:			
Depreciation on office equipment and vehicles		648	635
Depreciation on investment property		16	551
Provision for employees' end of service benefits		242	186
Loss on sale of investments in debt instruments at amortised cost		22	-
		<u>25,770</u>	<u>24,636</u>
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		20,093	9,886
Reinsurance assets		(35,722)	(3,891)
Insurance receivables		(30,476)	(21,737)
Prepayments and accrued income		(541)	(91)
Insurance contract liabilities		42,093	16,381
Amounts held under reinsurance treaties		112	1,674
Reinsurance balances payable		22,129	16,026
Trade and other payables		(5,815)	3,177
		<u>37,643</u>	<u>46,061</u>
Cash from operations		(142)	(228)
Employees' end of service paid			
Net cash from operating activities		<u>37,501</u>	<u>45,833</u>
INVESTING ACTIVITIES			
Investments in debt instruments held at amortised cost		(39,370)	-
Advance made on purchase of investment property		-	(8,000)
Purchase of office equipment and vehicles		(418)	(402)
		<u>(39,788)</u>	<u>(8,402)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Dividends paid		(25,000)	(25,000)
Bank loan		18,420	-
Directors' fees paid		(1,200)	(150)
		<u>(7,780)</u>	<u>(25,150)</u>
Net cash used in financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,067)	12,281
Cash and cash equivalents at 1 January		26,598	12,200
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u>16,531</u>	<u>24,481</u>

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

Dubai Insurance Company (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Retained earnings AED '000	Proposed dividend AED '000	Cumulative changes in fair value of investments AED '000	Total AED '000
Balance at 1 January 2011	100,000	49,296	3,500	77,710	25,000	22,308	277,814
Profit for the period	-	-	-	24,842	-	-	24,842
Other comprehensive income	-	-	-	-	-	787	787
Total comprehensive income for the period	-	-	-	24,842	-	787	25,629
Cash dividend paid	-	-	-	-	(25,000)	-	(25,000)
Balance at 30 September 2011	100,000	49,296	3,500	102,552	-	23,095	278,443
Balance at 1 January 2010	100,000	46,941	3,500	82,868	25,000	44,493	302,802
Profit for the period	-	-	-	23,264	-	-	23,264
Other comprehensive income	-	-	-	-	-	(21,634)	(21,634)
Total comprehensive income for the period	-	-	-	23,264	-	(21,634)	1,630
Cash dividend paid	-	-	-	-	(25,000)	-	(25,000)
Director's fee	-	-	-	(150)	-	-	(150)
Balance at 30 September 2010	100,000	46,941	3,500	105,982	-	22,859	279,282

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

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

1 CORPORATE INFORMATION

Dubai Insurance Company (PSC) (the "Company") 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, engineering and general accident risks (collectively known as general insurance) and medical and group life risks (included within life insurance). 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 from Dubai and most of the insurance policies are issued in the United Arab Emirates.

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

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>
Vattaun Limited	Investment	British Virgin Island	100%

Subsidiary companies are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over their operations. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

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 2010 except for the adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2011. The adoption of these standards and interpretations did not have an impact on the financial position or performance of the Group during the period.

2.2 ACCOUNTING POLICIES

The accounting policies adopted by the Group relating to investments and cash and cash equivalents, which are consistent with the policies adopted during the previous year, are reproduced below:

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building	25 years
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No depreciation is charged on freehold land.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised 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 reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.2 ACCOUNTING POLICIES (continued)****Fair value of financial instruments (continued)**

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. 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 reporting date.

Financial assets

At initial recognition, all financial assets are measured at fair value.

Equity investments

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

Gain or loss on disposal of equity investments carried at fair value through OCI are not recycled.

Dividend income for all equity investments are recorded through profit or loss.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period (after deduction of directors' fees) by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit for the period, net of directors' fees (AED '000)	<u>6,833</u>	<u>3,915</u>	<u>24,842</u>	<u>23,114</u>
Weighted average number of shares outstanding during the period ('000)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Earnings per share (AED)	<u>0.068</u>	<u>0.039</u>	<u>0.248</u>	<u>0.231</u>

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

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

4 ADVANCES FOR PURCHASE OF LAND

The land is located in the Emirate of Dubai, United Arab Emirates. The Company's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future. Following payment of the final installment, the amount paid in respect of the land has been classified as property, plant and equipment. The Group's management is in the process of formalizing the legal title in respect of the land.

5 INVESTMENT PROPERTY

Investment property represents the Group's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

6 FINANCIAL ASSETS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>30 September 2011 AED'000 (Unaudited)</i>	<i>31 December 2010 AED'000 (Audited)</i>	<i>30 September 2011 AED'000 (Unaudited)</i>	<i>31 December 2010 AED'000 (Audited)</i>
Financial instruments				
At fair value through profit or loss (note 6.1)	39,603	59,718	39,603	59,718
At fair values through other comprehensive income (OCI) (note 6.2)	149,437	148,650	149,437	148,650
Debt instruments at amortised cost (note 6.3)	39,370	-	39,370	-
	<u>228,410</u>	<u>208,368</u>	<u>228,410</u>	<u>208,368</u>

6.1 FINANCIAL ASSETS AT FAIR VALUES THROUGH PROFIT OR LOSS

	<i>30 September 2011 AED'000</i>	<i>31 December 2010 AED'000</i>
a) <i>Shares – quoted (within UAE)</i>	3,292	3,757
b) <i>Designated upon initial recognition</i>		
Deposits maturity over three months (within UAE)	36,311	55,961
	<u>39,603</u>	<u>59,718</u>

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

6 FINANCIAL ASSETS (continued)

6.2 FINANCIAL ASSETS AT FAIR VALUES THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	30 September 2011 AED'000	31 December 2010 AED'000
Shares – quoted (within UAE)	139,237	138,450
Shares – unquoted (within UAE)	10,200	10,200
	<u>149,437</u>	<u>148,650</u>

6.3 DEBT INSTRUMENTS AT AMORTISED COST

	30 September 2011 AED'000	31 December 2010 AED'000
<i>Amortised cost</i>		
Debt securities		
- within UAE	3,675	-
- outside UAE	35,695	-
	<u>39,370</u>	<u>-</u>

7 CASH AND CASH EQUIVALENTS

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

	30 September 2011 AED '000	30 September 2010 AED '000
Bank balances and cash	<u>16,531</u>	<u>24,481</u>

A substantial portion of bank balances and bank deposits are within United Arab Emirates.

8 BANK LOAN

The Company entered into a credit facility agreement with an international bank for USD 5 million (equivalent AED 18,420 thousand). The unsecured loan facility is used for the Group's investment operation and carries interest at commercial rates.

9 SHARE CAPITAL

	30 September 2011 AED '000	31 December 2010 AED '000
Issued and fully paid 100,000,000 shares of AED 1 each (2010: 100,000,000 shares of AED 1 each)	<u>100,000</u>	<u>100,000</u>

10 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 Group 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 2011, 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.

11 GENERAL RESERVE

Transfer to general reserve are made on the recommendation of the Board of Director. No transfers has been made to the general reserve during the nine month period to 30 September 2011, as this will be based on the results for the year.

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, general accident and medical.
- The 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:

	<i>Three months ended 30 September</i>					
	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
TOTAL UNDERWRITING INCOME	23,121	25,429	2,093	1,628	25,214	27,057
NET UNDERWRITING INCOME	5,756	3,092	1,046	510	6,802	3,602
TOTAL INVESTMENT INCOME					1,057	784
Other (expenses) income					(106)	333
Unallocated general and administration expenses					(920)	(804)
PROFIT FOR THE PERIOD					6,833	3,915

Dubai Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

12 SEGMENTAL INFORMATION (continued)

	<i>Nine months ended 30 September</i>					
	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
TOTAL UNDERWRITING INCOME	75,974	67,339	10,671	17,615	86,645	84,954
NET UNDERWRITING INCOME	12,484	12,686	4,939	4,613	17,423	17,299
TOTAL INVESTMENT INCOME					10,083	8,607
Other income (expenses)					479	(351)
Unallocated general and administration expenses					(3,143)	(2,291)
PROFIT FOR THE PERIOD					24,842	23,264

For operational and management reporting purposes, the Group is organised as one geographical segment.

13 SEASONALITY OF RESULTS

Dividend income of AED nil thousand and AED 7,843 thousand for three month and nine month periods ended 30 September 2011, respectively, and AED nil and AED 6,661 for three month and nine month periods ended 30 September 2010, respectively, is of a seasonal nature. Accordingly, results for the period ended 30 September 2011 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 2011.

14 CONTINGENCIES

At 30 September 2011, the Group 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 10,168 thousand (31 December 2010: AED 10,132 thousand).