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

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2008 (Unaudited)

Ernst & Young

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS 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 31 March 2008 comprising interim balance sheet as at 31 March 2008 and 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 Financial Reporting 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.

Ernst & Young

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

27 April 2008

Dubai

INTERIM STATEMENT OF INCOME
31 March 2008

	Notes	*3 months ended 31 March* 2008 AED	2007 AED
ATTRIBUTABLE TO POLICYHOLDERS			
UNDERWRITING INCOME			
Insurance premium revenue		**81,756,535**	57,987,921
Insurance premiums ceded to reinsurers		**(42,685,063)**	(28,679,601)
Net insurance premium revenue		**39,071,472**	29,308,320
Commission received on ceded reinsurance		**4,942,932**	4,325,187
Policy and survey fees		**139,830**	142,189
		44,154,234	33,775,696
UNDERWRITING EXPENSES			
Claims		**34,352,380**	36,822,377
Reinsurers' share of claims		**(8,893,060)**	(20,628,469)
Claims incurred		**25,459,320**	16,193,908
Commissions paid		**4,725,639**	4,029,662
Excess of loss insurance premiums		**915,809**	789,500
		31,100,768	21,013,070
NET UNDERWRITING INCOME		**13,053,466**	12,762,626
Wakala fees		**(14,958,204)**	(16,352,171)
NET DEFICIT FROM INSURANCE OPERATIONS		**(1,904,738)**	(3,589,545)
Investment income (loss)	5	**487,988**	(920,736)
Mudarib fees		**(121,997)**	-
DEFICIT FOR THE PERIOD		**(1,538,747)**	(4,510,281)
ATTRIBUTABLE TO SHAREHOLDERS			
INCOME			
Investment income (loss)	5	**983,685**	(977,790)
Wakala fees from policyholders		**14,958,204**	16,352,171
Mudarib fees from policyholders		**121,997**	-
		16,063,886	15,374,381
EXPENSES			
General and administrative expenses		**(8,481,676)**	(6,343,894)
Provision against loan to policyholders' fund		**(1,538,747)**	(4,510,281)
PROFIT FOR THE PERIOD		**6,043,463**	4,520,206
Basic and diluted earnings per share	4	**0.30**	0.22

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

INTERIM BALANCE SHEET
31 March 2008

	Notes	*Reviewed 31 March 2008 AED*	*Audited 31 December 2007 AED*
ASSETS			
Furniture and equipment		**1,961,378**	1,894,295
Investment property		**45,308,055**	45,308,055
Financial assets - Investments			
At fair value through profit or loss		**91,918,668**	71,552,951
Available for sale		**161,502,416**	141,840,271
Reinsurance assets		**103,561,287**	109,139,793
Insurance receivables		**88,919,547**	84,863,353
Prepayments and other receivables		**10,763,509**	76,247,175
Investment deposits		**12,500,000**	12,500,000
Cash and cash equivalents		**36,811,510**	32,416,914
TOTAL ASSETS		**553,246,370**	575,762,807
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES			
Equity			
Share capital		**200,000,000**	200,000,000
Statutory reserve	6	**12,278,225**	12,278,225
General reserve	7	**12,278,225**	12,278,225
Retained earnings		**39,335,309**	33,291,846
Proposed dividends		**20,000,000**	20,000,000
Cumulative changes in fair value of securities		**(26,628,657)**	(6,664,158)
Total equity		**257,263,102**	271,184,138
Policyholders' fund and liabilities			
Policyholders' fund			
Deficit in policyholders' fund		**(8,537,487)**	(6,998,740)
Loan from shareholders		**8,537,487**	6,998,740
Proposed profit distribution to policyholders		**1,871,294**	1,898,484
		1,871,294	1,898,484
Liabilities			
Insurance contract liabilities		**190,304,273**	199,048,343
Financial liabilities			
Ijara payables		**27,223,552**	28,925,024
Amounts held under reinsurance treaties		**4,730,078**	5,131,005
Insurance payables		**49,629,662**	46,378,361
Trade payables and accruals		**18,432,345**	19,252,441
Employees' end of service benefits		**2,166,004**	2,075,840
Accrued zakat		**1,626,060**	1,869,171
		294,111,974	302,680,185
Total liabilities		**295,983,268**	304,578,669
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		**553,246,370**	575,762,807

Managing Director / CEO
27 April 2008

Acting General Manager
27 April 2008

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

INTERIM CASH FLOW STATEMENT
31 March 2008

	Note	*3 months ended 31 March* 2008 AED	2007 AED
OPERATING ACTIVITIES			
Profit for the period		**6,043,463**	4,520,206
Adjustments for:			
Depreciation		**299,125**	384,851
Changes in fair value of investments carried at fair value through income statement	5	**5,174,740**	4,283,369
Provision for employees' end of service benefits		**280,253**	100,000
		11,797,581	9,288,426
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**(25,540,457)**	(1,914,468)
Reinsurance assets		**5,578,506**	(18,857,911)
Insurance receivables		**(4,056,194)**	(25,992,824)
Prepayments and other receivables		**65,483,666**	(11,546,086)
Insurance contract liabilities		**(8,744,070)**	36,593,602
Amounts held under reinsurance treaties		**(400,927)**	453,356
Insurance payables		**3,251,301**	5,076,143
Trade payables and accruals		**(820,096)**	(1,066,178)
Cash from (used in) operations		**46,549,310**	(7,965,940)
Employees' end of service benefits paid		**(190,089)**	-
Net cash from (used in) operating activities		**46,359,221**	(7,965,940)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(366,208)**	(122,449)
Financial assets, available-for-sale		**(39,626,644)**	(20,672,108)
Purchase of investment property		-	(45,308,055)
Realisation of investment deposits		-	25,665,880
Net cash used in investing activities		**(39,992,852)**	(40,436,732)
FINANCING ACTIVITIES			
Murabaha taken		-	34,029,440
Murabaha repaid		-	(4,263,257)
Ijara repaid		**(1,701,472)**	-
Decrease in policyholders' funds before Zakat		**(27,190)**	-
Zakat paid		**(243,111)**	(180,400)
Net cash (used in) from financing activities		**(1,971,773)**	29,585,783
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,394,596**	(18,816,889)
Cash and cash equivalents at the beginning of the period		**32,416,914**	26,011,362
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**36,811,510**	7,194,473

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

INTERIM STATEMENT OF CHANGES IN EQUITY
31 March 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	-	-	-	-	-	(19,964,499)	(19,964,499)
Total expenses recognised directly in equity	-	-	-	-	-	(19,964,499)	(19,964,499)
Profit for the period	-	-	-	6,043,463	-	-	6,043,463
Total income and expenses for the period	-	-	-	6,043,463	-	(19,964,499)	(13,921,036)
Balance at 31 March 2008	**200,000,000**	**12,278,225**	**12,278,225**	**39,335,309**	**20,000,000**	**(26,628,657)**	**257,263,102**
Balance at 1 January 2007	200,000,000	8,122,205	8,122,205	23,673,409	-	(24,704,293)	215,213,526
Decrease in fair value of available for sale investments	-	-	-	-	-	(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	200,000,000	8,122,205	8,122,205	28,193,615	-	(33,133,120)	211,304,905

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

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 3 months ended 31 March 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.

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 31 March					
	2008 Attributable to		*2007 Attributable to*		***Total***	
	Policyholders AED	***Shareholders AED***	*Policyholders AED*	*Shareholders AED*	***2008 AED***	*2007 AED*
General Insurance						
Underwriting income	**44,154,234**	-	33,775,696	-	**44,154,234**	33,775,696
Underwriting expenses	**(31,100,768)**	-	(21,013,070)	-	**(31,100,768)**	(21,013,070)
Net underwriting income	**13,053,466**	-	12,762,626	-	**13,053,466**	12,762,626
Wakala fee	**(14,958,204)**	**14,958,204**	(16,352,171)	16,352,171	-	-
Mudarib fee	**(121,997)**	**121,997**	-	-	-	-
	(2,026,735)	**15,080,201**	(3,589,545)	16,352,171	**13,053,466**	12,762,626
Investment						
Investment income (loss)	**487,988**	**983,685**	(920,736)	(977,790)	**1,471,673**	(1,898,526)
Unallocated other income and expenses	-	**(8,481,676)**	-	(6,343,894)	**(8,481,676)**	(6,343,894)
Deficit attributable to policyholders	**(1,538,747)**		(4,510,281)			
Provision against loan to policyholders' fund		**(1,538,747)**		(4,510,281)		
Profit for the year		**6,043,463**		4,520,206	**6,043,463**	4,520,206

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 as follows:

	3 months ended	
	31 March 2008 AED	*31 March 2007 AED*
Profit for the period	**6,043,463**	4,520,206
Weighted average number of shares outstanding during the period	**20,000,000**	20,000,000
Basic and diluted earnings per share (AED)	**0.30**	0.22

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

5 INVESTMENT INCOME (LOSSES)

	3 months ended	
	31 March 2008 AED	*31 March 2007 AED*
Fair value gains and losses:		
Fair value loss on investments carried at fair value through income statement	**(5,174,740)**	(4,283,369)
Realised gains and losses		
Income from sale of investments carried at fair value through income statement	**3,759,251**	-
Other investment income		
Income from investment deposits	**199,345**	269,469
Income from investment in real estate funds	**301,475**	205,708
Income from investment in other funds	-	91,020
Dividend received	**3,159,026**	2,830,281
Investment financing	**(772,684)**	(1,011,635)
	1,471,673	(1,898,526)
Allocated to:		
Policyholders	**487,988**	(920,736)
Shareholders	**983,685**	(977,790)
	1,471,673	(1,898,526)

Investment income and losses are 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 gain 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.

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 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.

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, 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 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 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.

9 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 March 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 1,327,425 (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.

10 SEASONALITY OF RESULTS

Dividend income of AED 3,159,026 for the three month period ended 31 March 2008 and AED 2,830,281 for the three month period ended 31 March 2007 is of a seasonal nature.