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Fax: 00971 4 3193112

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Hamdan Street, Al Masaood Tower
P.O. Box: 37050 Abu Dhabi
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Website: www.aman-diir.ae
E-mail: aman@aman-diir.ae
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Aman’s mission is to offer a comprehensive system of Islamic insurance and investment products and services that enhance the stability and well-being of local and regional communities. Our goal is to create a new paradigm in Islamic financial services, delivering in harmony with Shariah law, innovative solutions that meet our customers’ evolving needs and healthy returns on our shareholders’ investment.
Aman strives to exceed expectations by committing to the highest standards of professionalism, efficiency, flexibility and fairness.

At Aman, we are committed to our customers for the highest quality of service supported by a team of professionally qualified staff management.

Aman draws its strength from its customer base and is fully conscious of its customer’s requirements.

Products are tailor made to suit each customer’s requirements. Along with a high standard of service, Aman’s Policies are backed by Reinsurers of the highest repute in the world.
Al Salam Alaykum Wa Rahmat Allah Wa Barakatoh

We are pleased to welcome you and present to you our second annual report about the businesses and results of your company for the year 2004.

Despite some political difficulties which the region witnessed in the year 2004, however the UAE economy has witnessed a remarkable improvement. The projects launched into the real estate market and in the field of tourism and services have increased, and giant projects have emerged in UAE which resulted in a great economic boom as the total local production of the United Arab Emirates is expected to grow at 7% in the year 2005, while the sector of tourism is expected to grow at 6% annually and real estates at 3.5% annually. All of these factors will contribute in establishing a healthy environment which keeps pace with the strong oil prices which are expected to continue in the year 2005.

Also, the local stock market witnessed in the year 2004 a state of boom at the level of prices rise and volume of circulations which the market has not witnessed since its establishment, as the index of Dubai and Abu Dhabi stocks prices together increased about 69% against an average prices of 32% in the year 2003.

There were several reasons behind such an increase, the most important of which is the high liquidity available in the market and the good results achieved by most of the companies in all sectors in the light of the good oil prices and what has gained from confidence in the national economy and launching of large governmental and individual projects. In addition to that, the UAE economy has recorded an increase in the non oil sectors. At the level of your company, the company, thanks to God and to your support, was able in its second year to realize good profits which have exceeded the expectations of our earlier feasibility study at the start of establishing the company. Such study had indicated that the company will realize profits of AED 3.590 million dirhams in the current year, while the company’s results in its current year have achieved distinguished results which have not been achieved
by any insurance company during its history for the second year of establishing it, as the company realized for the year 2004 a net profit of 8.45 million dirhams.

The subscribed premiums have amounted to 53.48 million dirhams against 16.02 million dirhams of 2003 i.e. an increase of 37.46 million dirhams and with an increase in percentage of 233%.

The company’s assets have amounted to 105.38 million dirhams against 68.15 million dirhams of 2003 i.e. an increase of 37.23 million dirhams and with an increase in percentage of 54.62%.

The shareholders equity has amounted to 68.04 million dirhams against 60.11 million dirhams of 2003 an increase of 7.93 million dirhams.

The technical retained reserves have amounted to 10.86 million dirhams against 2.88 million dirhams of 2003, an increase of 7.98 million.

The additional reserve has amounted to 7 million dirhams against last year’s 160 thousand dirhams, and the market value of the company’s investments have amounted to 35.80 million dirhams against 8.35 million dirhams of 2003, with an increase of 27.45 million dirhams and with an increase in percentage of 328%.

The net profit from investments has amounted to 18.12 million dirhams with an increase of 15 million dirhams to the 2003 figure.

Our esteemed shareholders, Compared to the company’s age, what has been achieved is considered as an accomplishment by God’s help and by the support of the founders, clients and the efforts of the faithful staff for this Islamic edifice in the insurance field.

We would like to thank Ms The Fatwa and Shari’a Supervisory Board for what they have shown of fruitful cooperation, as well as we thank Ministry of Economy & Commerce and the Department of Economic Development, appreciating their constructive efforts and their continued support.

Finally, we would like to confirm that the management will keep on developing the Company’s business and achieving results that keep pace with the requirements of the shareholders of this company, seeking the help and successes from God and support from you. We may ask God, the Almighty, to bless our businesses and help us to service the Islamic insurance sector.

Sultan Saeed Al Mansouri
Chairman
The memorandum of association of the Dubai Islamic Insurance and Reinsurance Co. (AMAN) has entitled the Fatwa and Shari’a Supervisory Board to examine the entire works of the company. The memorandum stated that the committee has the right to accept or reject any work which the company executes which contradicts with the provisions of the Islamic Shari’a and that the Board of Directors is fully bound to the decisions of the committee.

The committee shall provide the annual general assembly with a report of such examination.

In execution of such authorization the committee, hereby will provide its report as follows:

First: Forms of insurance contracts and policies
The committee has read the forms of insurance contracts and policies which made and adopted by the company during the year after the necessary amendment was made thereof. The committee is seriously working to make an integral group of new insurance contracts and policies with a view to achieve the interest, meet the need, and work in accordance with the principles of Islamic Shari’a. Furthermore such agreements will cover all risks which may face individuals and firms. For the purpose of the principle of cooperation, the Islamic insurance will also cover all fields as Allah the Almighty said: “And help ye one another unto righteousness and pious duty”.

Second: The company works
1- The committee has carefully studied the role played by the company in the management of insurance and the investment of money thereof on behalf of the insurance policy holders, it has also considered the amounts received by the company against the power of attorney and the funds it collects out of the share of profits against the investment.

2- The company has invested the funds of shareholders and insurance policy holders in joint investment coverage, and set the profits collected in such coverage for them. The committee, in its part, has shown its comments on the works of the company and the company undertook to consider the comments.
Third:
1- The committee has definitely supervised over the company activities and transactions during the year and played the role through its directives to get different administrations comply with the provisions of Islamic Shari’a and fatwa of the committee. As a result, meetings and conferences have been held with the company officials. The committee has also stated the commitment of the company towards the provisions of Islamic Shari’a and the fatwa of committee.
2- The committee considered the company books, records and instruments, and collected the data and information as it may think fit and necessary for carrying out the task of legal control and auditing.
3- The committee studied the transactions provided during the year, approved contracts and documents, and replied to questions and inquiries submitted thereof, further suitable decisions and fatwa which were generalized upon the different managements of the company were put into force.

Fourth:
1- The committee has temporarily deputed its secretary to do the legal auditing upon the transactions of the year, the secretary made his report with the results and the committee, in its part, commented on the execution of some transactions and informed deferent administrations to take care for them in future. The company management expressed its interest to do so.
2- The committee did not exclude any of the company profits for the year due to the fact that there are no violations which require the exclusion, and because the company staffs are still under training.
3- To decide that the transactions which conducted for the year are entirely not in contradiction with Islamic Shari’a provisions in relation to the matters, transactions submitted and comments presented by it as well as through the response of the company management to execute such directives, the committee made sure that the responsibility for the application of Islamic Shari’a provisions with respect to all activities and transactions of the company shall mainly be borne by the management.

Fifth: Takaful insurance contract
The committee in cooperation with the company management had developed an agreement for the takaful life insurance which abides by the Islamic Shari’a provisions. The committee is now actively working to develop and create other takaful contracts based on sound and true legal foundations to cover all human risks.

Sixth: The legal controller of the company
In execution to the articles of association of the company through which the company is obligated to appoint legal controller, according to the committee recommendation, to undertake the legal auditing of the company executed transactions and to submit his report to the committee to take its convenient decisions in this regard, the committee has therefore taken necessary steps to chose its candidate to for the task to be appointed through decision issued by the company.

Seventh: Balance sheet and profits and losses account
The committee considered the company budget and the closing account for the year 2000, and noted that:
1- The company has two separate accounts, one for the company shareholders and another for the insurance policy holders as per the articles of association. The balance sheet of the company showed the assets and liabilities in both accounts.
2- The distribution of the revenues of the joint investment coverage among shareholders and policy holders has been made according to particular controls which the company thought fit. Further, the company carried on a regulation in this concern for the approval by the board.
3- In accordance with the company article of association, the company has given the obligatory Zakat from the shareholders and funds which kept at the company; however, the obligatory zakat was not
collected from the funds of policy holders this year as they lie in debit accounts at end of the year.

The committee has commented on all of the above-mentioned matters and now is about to lay down independent regulations to organize such matters to be adopted by the board.

Members of the committee
Prof. Hussein Hamid Hassan
Sheikh Mohammad Abder-Razaq Asseddiq
Sheikh Mohammad Abdel Hakeem Zuair

We have audited the accompanying balance sheet of Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) as of 31 December 2004, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that, in our opinion, proper books of account have been kept by the company, and the contents of the report of the Board of Directors relating to these financial statements are in agreement with the books of account. We obtained all the information and explanations which we required for the purpose of our audit. Furthermore, nothing has come to our attention which causes us to believe that the company has breached any of the provisions of the UAE Federal Law No. (8) of 1984 (as amended), UAE Federal Law No. (9) of 1984 (as amended) or of the articles of association of the company during the year which would have had a material effect on the business of the company or on its financial position as at 31 December 2004.

Signed,
Edward Quinlan
Partner
Registration No. 93,
22 March 2005, Dubai
### STATEMENT OF INCOME

#### ATTRIBUTABLE TO POLICYHOLDERS

**UNWRITING INCOME**
- Premiums earned
  - 2004: 14,067,888
  - 2003: 3,802,365
- Commission received on ceded reinsurance
  - 2004: 3,183,330
  - 2003: 761,573
- Fronting and other fees
  - 2004: -
  - 2003: 184,000

**UNWRITING EXPENSES**
- Claims incurred
  - 2004: 10,716,548
  - 2003: 1,797,665
- Commission paid
  - 2004: 2,043,717
  - 2003: 234,201

**NET UNWRITING INCOME**
- 2004: 4,490,953
- 2003: 2,716,072

**NET DEFICIT FROM INSURANCE OPERATIONS**
- Investment income
  - 2004: 6,884,137
  - 2003: 366,693
- Mudarib fees
  - 2004: 1,721,034
  - 2003: 91,673

**NET DEFICIT FOR THE YEAR/PERIOD**
- 2004: (8,878,754)
- 2003: (2,890,399)

#### ATTRIBUTABLE TO SHAREHOLDERS

**INCOME**
- Investment income
  - 2004: 11,240,464
  - 2003: 2,761,084
- Wakala fees from policyholders
  - 2004: 13,369,707
  - 2003: 5,606,471
- Mudarib fees from policyholders
  - 2004: 1,721,034
  - 2003: 91,673
- Other income
  - 2004: 27,972
  - 2003: 37,542

**EXPENSES**
- General and administrative expenses
  - 2004: (14,184,342)
  - 2003: (5,666,089)
- Provision against loan to policyholders’ fund
  - 2004: (3,715,651)
  - 2003: (2,615,379)
- Subscription fees
  - 2004: -
  - 2003: 1,831,610
- Write off of pre-operating expenses
  - 2004: -
  - 2003: (1,935,346)

**NET PROFIT FOR THE YEAR/PERIOD**
- 2004: 8,459,184
- 2003: 111,566

**Basic earnings per share**
- 2004: 1.41
- 2003: 0.02

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The attached notes 1 to 29 form part of these financial statements.
BALANCE SHEET

AT 31 DECEMBER 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004 AED</th>
<th>2003 AED (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>8,291,131</td>
<td>1,444,646</td>
</tr>
<tr>
<td>Investment deposit certificates</td>
<td>7</td>
<td>39,000,000</td>
</tr>
<tr>
<td>Murabaha receivable</td>
<td>8</td>
<td>3,675,000</td>
</tr>
<tr>
<td>Available-for-sale investments</td>
<td>9</td>
<td>35,803,687</td>
</tr>
<tr>
<td>Premiums and insurance balances receivable</td>
<td>10</td>
<td>12,996,898</td>
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<tr>
<td>Furniture and equipment</td>
<td>11</td>
<td>2,889,132</td>
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<tr>
<td>Other assets</td>
<td>12</td>
<td>2,729,776</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>105,385,624</td>
</tr>
</tbody>
</table>

EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th>Shares</th>
<th>2004 AED</th>
<th>2003 AED (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>60,000,000</td>
<td>60,000,000</td>
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<tr>
<td>Statistical reserve</td>
<td>14</td>
<td>857,075</td>
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<tr>
<td>General reserve</td>
<td>15</td>
<td>857,075</td>
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<tr>
<td>Retained earnings</td>
<td>16</td>
<td>327,121</td>
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<tr>
<td>Proposed dividend</td>
<td>23</td>
<td>6,000,000</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td></td>
<td>68,041,271</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policyholders' fund</th>
<th>2004 AED</th>
<th>2003 AED (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency in policyholders' fund</td>
<td>(6,331,030)</td>
<td>(2,615,379)</td>
</tr>
<tr>
<td>Loan from shareholders</td>
<td></td>
<td>6,331,030</td>
</tr>
<tr>
<td>TOTAL POLICYHOLDERS' FUND</td>
<td></td>
<td>68,041,271</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2004 AED</th>
<th>2003 AED (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>10,860,010</td>
<td>2,884,501</td>
</tr>
<tr>
<td>Additional reserve</td>
<td>7,000,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Gross outstanding claims</td>
<td>17</td>
<td>7,145,709</td>
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<tr>
<td></td>
<td>25,005,719</td>
<td>4,349,815</td>
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<tr>
<td>Insurance and reinsurance balances payable</td>
<td>18</td>
<td>7,002,785</td>
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<tr>
<td>Other payables and accruals</td>
<td>19</td>
<td>4,808,085</td>
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<tr>
<td>Employers' end of service benefits</td>
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<td>301,365</td>
</tr>
<tr>
<td>Accrued Zakat</td>
<td>22</td>
<td>229,479</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td></td>
<td>37,344,353</td>
</tr>
</tbody>
</table>

TOTAL EQUITY AND LIABILITIES | | 105,385,624 | 68,158,608 |

The financial statements were authorised for issue in accordance with a resolution of the directors on 22/03/2005.

Sultan Saeed Al Mansouri
Chairman

Hussein Mohammed Al Meeza
Managing Director

Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2004

OPERATING ACTIVITIES

Net profit for the year/period | 8,459,184 | 111,566 |
| Adjustments for: | | |
| Movement in unearned premiums | 7,975,509 | 2,884,501 |
| Depreciation | 901,095 | 428,075 |
| Changes in fair value of available-for-sale quoted investments | (16,430,748) | (1,544,900) |
| Provision for employees' end of service benefits | 206,222 | 95,143 |
| Cash from operations before changes in operating assets and liabilities | 1,111,262 | 1,974,385 |
| Premiums and insurance balances receivable | (10,325,281) | (2,671,617) |
| Other assets | | 213,227 | (2,943,003) |
| Insurance funds, excluding unearned premium | 12,680,395 | 1,465,314 |
| Insurance and reinsurance balances payable | 5,696,770 | 1,306,015 |
| Other payables and accruals | | 2,508,936 | 2,296,069 |
| Net cash from operating activities | 11,885,309 | 1,427,163 |

INVESTING ACTIVITIES

Purchase of furniture and equipment | (1,046,976) | (3,171,705) |
| Sale (purchase) of investment deposit certificates | 11,000,000 | (50,000,000) |
| Purchase of available-for-sale investments | (13,645,719) | (6,810,812) |
| Murabaha receivable | (3,675,000) | - |
| Proceeds from sale of available-for-sale investment | 2,627,352 | - |
| Net cash used in investing activities | (4,736,824) | (59,982,517) |

FINANCING ACTIVITIES

Capital issued | _ 60,000,000 | 60,000,000 |
| Directors' fees | | (300,000) |
| Net cash (used in) from financing activities | (300,000) | 60,000,000 |

INCREASE IN BANK BALANCES AND CASH | 6,846,485 | 1,444,646 |
| Bank balances and cash at the beginning of the year/period | 1,444,646 | - |

BANK BALANCES AND CASH AT THE END OF THE YEAR/PERIOD | 8,291,131 | 1,444,646 |

The attached notes 1 to 29 form part of these financial statements.
The attached notes 1 to 29 form part of these financial statements.

2- SIGNIFICANT ACCOUNTING POLICIES

• Basis of preparation

The financial statements have been prepared in accordance with Standards issued or adopted by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended) relating to commercial companies and Federal Law No. 9 of 1984 relating to insurance companies.

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 the International Financial Reporting Standards.

The financial statements have been presented in UAE Dirhams.

• Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments.

Except as explained in note 29, the accounting policies are consistent with those used in the previous period.

• Premiums earned

Net written premiums are taken into income on the date of writing of policies after adjusting for unearned premiums.

• Commissions earned and paid

Commissions earned and paid are recognised at the time policies are written.

• Income from investment deposit certificates

Income from investment deposit certificates is recognised on an accrual basis.

• Cash and cash equivalents

Cash and cash equivalents consist of bank balances and cash and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have a maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

The attached notes 1 to 29 form part of these financial statements.
• Murabaha receivable
Murabaha receivable is stated at cost less provision for impairment and deferred profits.

• Available-for-sale investments
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as “available-for-sale” are measured at fair value. The Board of Directors has made a one time choice of recognising all related realised and unrealised gains or losses in the income statement.

In the case of unquoted investments where fair value cannot be measured reliably, such investments are carried at cost less any provision for impairment.

• Trade and settlement date accounting
All “regular way” purchases and sales of financial assets are recognised on the “settlement date”, i.e., the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

• Premiums and insurance balances receivable
Provision is made against premiums and insurance balances receivable as soon as they are considered doubtful of recovery.

• Furniture and equipment
Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

- Furniture and fixtures: 4 years
- Office equipment: 4 years

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

• Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of finance assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

• Deficit in policyholders’ fund
Any deficit in the policyholders’ fund is financed by the shareholders through loans. The company maintains a full provision against such loans. (Also see note 29).

• Unearned premium reserve
At the end of each year a proportion of net retained premiums is provided to cover portions of risks, which have not expired at the balance sheet date. The reserves are calculated in accordance with Federal Law No. 9 of 1984 relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance except marine, which is calculated at 25%.

• Additional reserve
A provision is made for the estimated excess of potential claims over unearned premiums, for claims incurred but not reported at the balance sheet date and for potential shortfall in unearned premium reserve. The reserve reflects the management’s best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) shortfall in unearned premium reserve by reference to the 1/8th method.

• Gross outstanding claims
Gross outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following period is included in the underwriting account for that period.

• Reinsurance
Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured parties.

• Payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

• Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

• Zakat
Zakat as approved by the company’s Shari’a Supervisory Committee is computed on the following basis:

- Zakat on shareholders’ equity is deducted from retained earnings and is computed on their Zakat Pool (shareholders’ equity less paid up capital and proposed dividend plus loan to policy holders and employees’ end of service benefits).
- Zakat is distributed by a committee appointed by the Board of Directors and operating as per the by-Law set by the Board.
- Zakat on paid up capital and proposed dividend is not included in Zakat computation and is payable directly by the shareholders themselves.

• Employees’ end of service benefits
The company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees’ salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to a government Social Insurance Scheme calculated as a percentage of the employees’ salaries. The company’s obligations are limited to these contributions, which are expensed when due.
• Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

• Fair value
Fair values of quoted investments are based on quoted bid prices.

3-PREMIUMS EARNED
<table>
<thead>
<tr>
<th>2004</th>
<th>12 March to 31 Dec. 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Gross written premiums</td>
<td>53,478,828</td>
</tr>
<tr>
<td>Reinsurance premiums ceded</td>
<td>(24,595,431)</td>
</tr>
<tr>
<td>Movement in unearned premiums</td>
<td>(7,975,509)</td>
</tr>
<tr>
<td>Movement in additional reserve</td>
<td>(6,840,000)</td>
</tr>
<tr>
<td>Total</td>
<td>14,067,888</td>
</tr>
</tbody>
</table>

4- WAKALA AND MUDARIB FEES
The shareholders manage the insurance operations for the policyholders and charge 25% (2003: 35%) of gross written premium as Wakala fees.

The shareholders also manage the policyholders’ investment funds and charge 25% (2003: AED 25%) of investment income earned by the policyholders’ investment funds as Mudarib fees.

5- INVESTMENT INCOME
<table>
<thead>
<tr>
<th>2004</th>
<th>12 March to 31 Dec. 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Investment income consists of:</td>
<td></td>
</tr>
<tr>
<td>Change in fair value of available-for-sale quoted investments, net</td>
<td>16,430,748</td>
</tr>
<tr>
<td>Income from investment deposit certificates</td>
<td>1,122,716</td>
</tr>
<tr>
<td>Income from investment in real estate funds</td>
<td>457,659</td>
</tr>
<tr>
<td>Dividend received</td>
<td>147,825</td>
</tr>
<tr>
<td>Mudaribah income</td>
<td>54,568</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>88,915</td>
</tr>
<tr>
<td>Total</td>
<td>18,124,601</td>
</tr>
</tbody>
</table>

6- BASIC EARNINGS PER SHARE
Basic earnings per share is calculated by dividing the net profit for the year/period by the weighted average number of shares outstanding during the period as follows:

<table>
<thead>
<tr>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Net profit for the year/period</td>
<td>8,459,184</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding during the period</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.41</td>
</tr>
</tbody>
</table>

7- INVESTMENT DEPOSIT CERTIFICATES
Investment deposit certificates issued by Dubai Islamic Bank PJSC have a fixed maturity of one year from the date of deposit. Investment deposit certificates amounting to AED 7,500,000 represent the amounts that cannot be withdrawn without the prior approval of the Ministry of Economy and Planning in accordance with Article 41 of the Federal Law No. 9 of 1984.

8- MURABAHA RECEIVABLE
Murabaha receivable represents the company’s participation in a syndicated Murabaha which is receivable in 15 monthly instalments starting 9 months after the utilisation date. The Murabaha receivable carries a profit rate of approximately 8% per annum and the last instalment is due on 16 October 2006.

9- AVAILABLE-FOR-SALE INVESTMENTS

<table>
<thead>
<tr>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Quoted securities at cost</td>
<td>14,414,640</td>
</tr>
<tr>
<td>Add: Fair value adjustment recognised in the income statement</td>
<td>17,975,648</td>
</tr>
<tr>
<td>Balance at the end of the period</td>
<td>32,390,288</td>
</tr>
<tr>
<td>Unquoted open ended fund (at cost)</td>
<td>3,413,399</td>
</tr>
<tr>
<td>Total</td>
<td>35,803,687</td>
</tr>
</tbody>
</table>

Investment in quoted securities represents the company’s investment in the shares of Dubai Islamic Bank PJSC and certain other shares quoted in the UAE.
The attached notes 1 to 29 form part of these financial statements.

Unquoted investment represents the company’s investment in the Real Estate Funds of Dubai Islamic Bank PJSC which have a maturity of four years. The company expects to earn approximately 7% return on these investments. The unquoted investments are carried at cost less any impairment in value due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

10- PREMIUMS AND INSURANCE BALANCES RECEIVABLE

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance premiums receivable</td>
<td>7,753,103</td>
<td>2,459,279</td>
</tr>
<tr>
<td>Amounts due from insurance companies</td>
<td>1,856,937</td>
<td>22,198</td>
</tr>
<tr>
<td>Recoverable from reinsurers in connection with claims payable (note 17)</td>
<td>3,386,858</td>
<td>190,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,996,898</td>
<td>2,671,617</td>
</tr>
</tbody>
</table>

11- FURNITURE AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Office equipment</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Work in progress</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>AED</td>
<td>AED</td>
</tr>
</tbody>
</table>

Cost:
- At 1 January 2004: 1,678,576
- Additions: 236,066
- Transfer: 134,000
- At 31 December 2004: 2,048,642

Depreciation:
- At 1 January 2004: 303,741
- Provided during the year: 468,006
- At 31 December 2004: 771,747

Net carrying amount:
- At 31 December 2004: 2,048,642
- At 31 December 2003 (Restated): 1,471,705

12- OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>AED</td>
<td>AED</td>
</tr>
</tbody>
</table>

13- SHARE CAPITAL

Issued and fully paid – 6,000,000 shares of AED 10 each: 60,000,000

14- STATUTORY RESERVE

As required by the Commercial Companies Law and the company’s articles of association, 10% of the net profit for the period has been transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

15- GENERAL RESERVE

As required by the company’s articles of association, 10% of the net profit for the period has been transferred to general reserve. The reserve is available for distribution based on recommendation of the Board of Directors.

16- POLICYHOLDERS’ FUND

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>12 March to 31 Dec. 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED</td>
<td>(Restated)</td>
</tr>
<tr>
<td><strong>Balance at the beginning of the year / period</strong></td>
<td>(2,615,379)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net deficit for the year / period</strong></td>
<td>(3,715,651)</td>
<td>(2,615,379)</td>
</tr>
<tr>
<td><strong>Balance at 31 December</strong></td>
<td>(6,331,030)</td>
<td>(2,615,379)</td>
</tr>
</tbody>
</table>

The shareholders have financed the policyholders’ deficit in accordance with the company’s policy through loans. Full provision is maintained against such loans.

17- NET OUTSTANDING CLAIMS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross outstanding claims</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Reinsurers’ share (note 10)</td>
<td>(3,386,858)</td>
<td>(190,140)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>AED</td>
<td>AED</td>
</tr>
</tbody>
</table>

18- OTHER PAYABLES AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>AED</td>
<td>AED</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENT

AT 31 DECEMBER 2004

AVAILABLE-FOR-SALE INVESTMENTS (cont.)
19- EMPLOYEES’ END OF SERVICE BENEFITS
Movements in the provision recognised in the balance sheet are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Provision at the beginning of the year / period</td>
<td>95,143</td>
<td></td>
</tr>
<tr>
<td>Provided during the year/period</td>
<td>206,222</td>
<td>95,143</td>
</tr>
<tr>
<td>Provision at 31 December</td>
<td>301,365</td>
<td>95,143</td>
</tr>
</tbody>
</table>

20- RELATED PARTY TRANSACTIONS
The company carries out transactions in the ordinary course of business with related parties, defined as shareholders who have an equity interest of 20% or more in the company as well as all directors and officers of the company and companies in which such shareholders, directors and officers have an interest of 20% or more. The company’s banker, Dubai Islamic Bank PSC (DIB) owns an equity interest of more than 20% in the company. The pricing policies and terms of these transactions are approved by the company’s management. Significant related party balances at the balance sheet date and transactions during the period are summarised below:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Premiums net of re-insurance</td>
<td>10,775,258</td>
<td>9,000</td>
</tr>
<tr>
<td>Remuneration to the Managing Director</td>
<td>701,930</td>
<td>250,000</td>
</tr>
<tr>
<td>(net of amounts recharged to DIB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment deposit certificates with DIB</td>
<td>39,000,000</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Carrying value of investments in ordinary shares of DIB</td>
<td>27,684,200</td>
<td>4,607,212</td>
</tr>
<tr>
<td>Cost of investments in Real Estate Funds of DIB</td>
<td>3,413,398</td>
<td>3,748,500</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>2,122,221</td>
<td>352,102</td>
</tr>
</tbody>
</table>

21- SHARI’A SUPERVISORY COMMITTEE
The company’s business activities are subject to the supervision of a Shari’a Committee consisting of 3 members appointed by the shareholders. The Shari’a Committee performs a supervisory role in order to determine whether the operations of the company are conducted in accordance with Shari’a rules and principles.

22- SEGMENTAL INFORMATION
- **Primary segment information**
  For management purposes the company is organised into one major operating segment which is general and medical insurance.
- **Secondary segment information**
  The company’s business is mainly conducted within the United Arab Emirates.

23- PROPOSED DIVIDEND
The Board of Directors has proposed a cash dividend of AED 1 per share of AED 10 each totalling AED 6,000,000. The proposal is subject to the approval of the shareholders at the Annual General Meeting.

24- DIRECTORS’ FEES
Directors’ fees have been included as an appropriation of net profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy and Planning.

25- RISK MANAGEMENT
- **Reinsurance risk**
  In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

  To minimise its exposure to significant losses from reinsurer insolvencies, the company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

  Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The maximum theoretical credit risk exposure in this connection is mainly in Europe and the Middle East.

  There was no significant credit exposure at 31 December 2004.

- **Currency risk**
  Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

  Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposure.

  Other than balances in United States Dollars, to which the UAE Dirham is pegged, there are no other foreign currency financial assets or liabilities.

- **Profit margin risk on investment deposit certificates**
  The return on investment deposit certificates is based on the principle of the Mudaraba contract by which the company agrees to share the profit or loss made by the Bank over a given period. Any change in the market profit margin rates will determine both the profit margins the Bank is able to charge on its assets and the returns on investment deposit certificates. The company limits profit margin risk by monitoring changes in market profit margin rates.

  Deposit certificates with the bank are denominated in UAE Dirhams and had an original maturity of one year.
• **Credit risk**
  Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the company, other than those relating to reinsurance contracts as described in reinsurance risk above, the maximum credit risk exposure to the company is the carrying value as disclosed in the balance sheet.

The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premiums and insurance balances receivable comprise a large number of customers and insurance companies mainly within UAE.

The company’s underwriting activities are carried out in the United Arab Emirates.

The five largest receivables account for 40% of the insurance premiums receivable at 31 December 2004 (2003:80%).

• **Liquidity risk**
  Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The company’s terms of business require amounts to be paid within 60 to 90 days of the date of the transactions. Arrangements with reinsurers normally require quarterly settlement of the balance.

• **Market price risk**
  Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investments. Most of the company’s investments are within the United Arab Emirates.

26- **CONTINGENT LIABILITIES**

At 31 December 2004, 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 1,128,413 (2003: AED 1,012,000).

27- **CAPITAL COMMITMENTS**

The Board of Directors have authorised future capital expenditure amounting to AED 87,092 (2003: AED 1,171,123).

28- **FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial assets consist of bank balances and cash, investments, premium and insurance balances receivable, due from related parties and other receivables. Financial liabilities consist of outstanding claims and payables.

The fair values of the financial assets and liabilities with the exception of unquoted investment which is carried at cost (note 6), are not materially different from their carrying values.

29- **PRIOR PERIOD ADJUSTMENTS**

Following the directors’ decision to prepare separate accounts for the insurance operations on behalf of the policyholders, the company has adopted a policy to fund any deficit in the policyholders’ fund through loans and to maintain full provision against such loans. This change has been applied retroactively and prior period amounts have been restated resulting in the following changes:

a) The statement of income now separately shows insurance operations undertaken on behalf of the policyholders. Also, allocation of investment income (note 5) and Wakala and Mudarib fees (note 4) are now disclosed in the financial statements.

b) The following adjustments have been made to the retained earnings at 31 December 2003:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit attributable to policyholders</td>
<td>AED 2,615,379</td>
</tr>
<tr>
<td>Provision against loan to policyholders’ fund</td>
<td>(AED (2,615,379))</td>
</tr>
</tbody>
</table>

The attached notes 1 to 29 form part of these financial statements.