METHAQ TAKAFUL INSURANCE COMPANY

PUBLIC SHAREHOLDING COMPANY

ABU DHABI - UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Methaq Takaful Insurance Company
Public Shareholding Company
Abu Dhabi - United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Methaq Takaful Insurance Company** Public Shareholding Company - Abu Dhabi, which comprise the statement of financial position as of 31 December 2009, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the period from 11 March 2008 (date of inception) to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Methaq Takaful Insurance Company** - Public Shareholding Company - Abu Dhabi as of 31 December 2009, and of its financial performance and its cash flows for the period from 11 March 2008 (date of inception) to 31 December 2009 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, proper books of account are maintained by the company, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanation which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended), the UAE Federal Law No. (6) of 2007 or the Articles of Association Company which might have a material effects on the financial position of the Company or on the results of its operations for the period.

Explanatory paragraph

Without any qualification in our opinion; referring to note 2 of the financial statements we, draw attention that the management in accordance with insurance law and articles of association considers the first fiscal period as commencing from date of inception till 31 December 2009. This is despite the fact that audited financial statements were issued for the period from inception till 31 December 2008.

For Talal Abu Ghazaleh & Co. International

Talal Abu Ghazaleh & Co. International
ABU DHABI
طلال أبو غزاله وشركاه الدولية
ابو ظبي

Ahmed Abu Aabed
Licensed Auditor No. 485

17 February 2010

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT A

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	31 December 2009
ASSETS		
Cash and cash equivalents	4	126,108,740
Investment deposits	5	46,000,000
Takaful and other receivables	6	25,628,306
Prepayments and other assets	7	3,916,515
Property and equipment	8	2,719,339
TOTAL ASSETS		204,372,900
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Retakaful and other payables	9	3,122,817
Policyholders' liabilities	10	31,591,858
Accrued expenses and other liabilities	11	2,114,402
Zakat payable	3 (k)	7,677,034
End of service benefits obligation	12	430,274
Total liabilities		44,936,385
POLICY HOLDERS' FUND		
Surplus in policyholders' fund		105,475
SHAREHOLDERS' EQUITY		
Capital	13	150,000,000
Legal reserve	3 (n)	1,700,807
General reserve	3 (o)	1,700,807
Retained earnings		5,929,426
Total shareholders' equity - Exhibit C		159,331,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		204,372,900

These financial statements have been authorized for issue by the Board of Directors on 20 February 2010 and signed on its behalf by:

Chairman

Managing Director

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT B

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	For the period from 11 March 2008 (date of inception) to 31 December 2009
Attributable to policyholders		
Underwriting income:		
Takaful contributions	14	34,587,035
Retakaful contributions ceded		(2,752,403)
Net earned contributions		31,834,632
Commission received on retakaful contributions ceded		296,559
XOL insurance premiums		(1,881,100)
Total underwriting income		30,250,091
Underwriting expenses:		
Gross claims incurred		(11,772,895)
Reinsurer's share of claims		139,697
Net claims incurred		(11,633,198)
IBNR - Technical reserve		(3,200,000)
Commission paid		(8,238,798)
TPA Fees		(196,723)
Total underwriting expenses		(23,268,719)
Net underwriting income		6,981,372
Wakala fees	15 (a)	(6,893,142)
Net income from takaful operations for the period		88,230
Policyholders' investment income		19,161
Mudarib fees	15 (b)	(1,916)
Net surplus of takaful results for the period		105,475

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

CONT. EXHIBIT B

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	For the period from 11 March 2008 (date of inception) to 31 December 2009
Attributable to shareholders		
IPO subscription fees		4,500,000
Shareholders' investment income	16	38,802,105
Wakala fees from policyholders	15 (a)	6,893,142
Mudarib fees from policyholders	15 (b)	1,916
Pre - operating expenses	17	(4,756,644)
General and administrative expenses	18	(27,128,035)
Disposals of fixtures and fittings		(1,304,410)
Profit for the period - Exhibit C & D		17,008,074
Basic earnings per share	19	0.11

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI- UNITED ARAB EMIRATES

EXHIBIT C

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	Capital	Legal reserve	General reserve	Retained earnings	Total
Paid up capital	150,000,000	----	----	----	150,000,000
Profit for the period - Exhibit B	----	----	----	17,008,074	17,008,074
Transferred to legal reserve	----	1,700,807	----	(1,700,807)	----
Transferred to general reserve	----	----	1,700,807	(1,700,807)	----
Transferred to zakat	----	----	----	(7,677,034)	(7,677,034)
Shareholders' equity at 31 December 2009 - Exhibit A	150,000,000	1,700,807	1,700,807	5,929,426	159,331,040

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT D

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	For the period from 11 March 2008 (date of inception) to 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:	
Profit for the period - Exhibit B	17,008,074
Net income from takaful operations for the period - Exhibit B	105,475
Operating profit before adjustments	17,113,549
Adjusted for:	
Depreciation on property and equipment	1,346,978
End of service benefits obligation	430,274
Investment income	(38,821,266)
Disposals of fixtures and fittings	1,304,410
Operating (loss) before working capital changes	(18,626,055)
(Increase) in operating assets:	
Takaful and other receivables	(24,128,306)
Prepayments and other assets	(3,916,515)
Increase in operating liabilities:	
Retakaful and other payables	3,122,817
Policyholders' liabilities	31,591,858
Accrued expenses and other liabilities	2,114,402
Net cash (used in) operating activities	(9,841,799)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

CONT. EXHIBIT D

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 11 MARCH 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	For the period from 11 March 2008 (date of inception) to 31 December 2009
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment deposits	(46,000,000)
Income from investment deposits	4,580,106
Held to maturity investment	(99,689,736)
Sukuk profit received	3,562,781
Proceeds from retirement of held to maturity investment	119,000,000
Investments at fair value through profit or loss	(142,179,192)
Proceeds from sale of investments at fair value through profit or loss	152,047,307
Purchases of property and equipment	(5,370,727)
Net cash (used in) investing activities	(14,049,461)
CASH FLOWS FROM FINANCING ACTIVITIES :	
Paid up capital	150,000,000
Net cash from financing activities	150,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,108,740
CASH AND CASH EQUIVALENTS - END OF THE PERIOD - Note 4	126,108,740

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

1. STATUS AND ACTIVITIES

a) **Methaq Takaful Insurance Company** (hereinafter referred to the "**Company**") is a Public Shareholding Company incorporated in Abu Dhabi with a trade license number 1142419 in accordance with U.A.E. Commercial Companies Law number 8 for the year 1984 (as amended). The company operates through the main office and has a branch incorporated in Dubai with a trade license number 617826.

b) The principal activities of the company are described below:

- Health insurance.
- Insurance against hazards of land, marine and air transportation.
- Insurance against fire.
- Insurance against accident and liabilities.
- Reinsurance.
- Other types of insurance.

2. FISCAL FINANCIAL PERIOD

The financial statements of the company have been presented for the period from inception till 31 December 2009 which is considered as the first fiscal financial period for the company in accordance to the Article of Association of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Preparation Framework*

The financial statements have been prepared in accordance with International Financial Reporting Standards.

b. *Basis of preparation*

The financial statements are prepared under the historical cost convention, except the measuring of fair value for certain financial instruments. The significant accounting policies are set out below.

c. *Financial assets*

Financial assets are recognized and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments. The financial assets are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those assets.

Financial assets are classified into the following categories:

i) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, current accounts and investment deposits with banks maturing within three months from the date of financial statements which are not under lien.

ii) *Interest free loans and receivables*

It includes takaful and other receivables that have fixed or determinable payments, which are not quoted in an active market.

iii) *Available-for-sale (AFS)*

AFS financial assets may include equity instruments that are not held principally for the purpose of selling in the near future or debt instruments with fixed or determinable payments and fixed maturity dates that the Company has no positive intent and ability to hold to maturity.

AFS financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses.

The cumulative gain or loss previously recognized in the investments revaluation reserve is included in the statement of comprehensive income upon the disposal of investment. Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive payments is established.

iv) *Investments at Fair Value through Profit or Loss (FVTPL)*

These are investments typically bought with the intention to sell in the short-term. These investments are initially recorded at cost, Subsequent to initial recognition these investments are restated at fair value. Fair value adjustments and realised gains or losses are recognised in the statement of comprehensive income.

d. *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each period. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated using the original effective rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

e. *Property and equipment*

Property and equipment are initially recognised at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company over the estimated useful life of the assets as follows:

Category	Useful Life
Furniture, fixtures and office equipment	5 years
Computers and software	3 years

The depreciation charge for each period is recognized in the statement of comprehensive income. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with note 3 (f).

On the subsequent derecognition (sale or retirement) of the property and equipment, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the statement of comprehensive income.

f. *Impairment of tangible assets*

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the of comprehensive income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g. *Related parties*

Related parties are considered to be related because they have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decisions. Further, parties are considered related to the Company when the Company has the ability to exercise control, significant influence, or joint control over the financial and operating decisions of those parties.

Transactions with related parties, normally, comprise of transfer of resources, services, or obligations between the parties. At the statement of financial position date, the related parties' receivables are stated at the net realizable value.

h. *Financial liabilities*

Debt and equity instruments are classified as either financial liabilities or as equity depending on the substance of the contractual arrangement.

Equity instruments are contracts that evidence residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Retakaful and other payables represent amounts due by the Company to other parties arising from reinsurance / retakaful contracts or other contracts of administrative nature.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

i. *Provisions*

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date, that is, the amount that the Company would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party.

Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

j. *Provision for leave salaries*

Provision for leave salaries is provided for based on basic monthly salary plus allowances, multiplied by the ratio of number of days vested leave to 30 regular days per month.

k. *Zakat*

Zakat is calculated by Company Sharia'a Supervisory Board and approved by management.

l. *Employees end of service benefits obligation*

Employees end of service benefits obligation is computed as per provision of U.A.E. labour law.

m. *Unearned contributions*

Unearned contributions are calculated on the basis of 40% for all classes except Marine Cargo 25%.

n. *Legal reserve*

In accordance with the Article of Association of the Company and UAE Commercial Law, an amount equal to 10% of the annual profit should be transferred to legal reserve account till such reserve equal 50% of the company's paid up capital. This reserve is not available for distribution.

o. *General reserve*

In accordance with the Article of Association of the Company, an amount equal to 10% of the annual profit is to be transferred to general reserve account. This transfer will be stopped by a decision from ordinary general assembly meeting based on the proposal of the Board of Directors or till such reserve equal 50% of the company's paid up capital. This reserve is used for the purposes decided by the general assembly meeting based on the proposal of the Board of Directors.

p. *Revenue recognition*

Revenue is measured at fair value of the consideration received or receivable in the normal course of business.

Retakaful income and expenses

Retakaful income is recognized when retakaful is entered into and retakaful expenses are recognized when the policies are issued.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Income from investment deposits

Income from investment deposits is accounted on a time apportioned basis.

q. *Basic earnings per share*

Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary share holders, by the weighted average number of ordinary shares outstanding during the period/year.

r. *Contingent liabilities*

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

s. *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns and that are different from those of segments operating in other economic environments.

t. *Foreign currencies*

The financial statements are presented in the UAE Dirhams (AED) which is the Company's functional currency. In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in the statement of comprehensive income in the period in which they arise.

v. *Critical accounting judgments and key sources of estimation uncertainty*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 December 2009
Cash on hand	74,000
Cash at banks - current accounts	3,634,740
Investment deposits maturity date less than three months	122,400,000
Total - Exhibit A & D	**126,108,740**

5. INVESTMENT DEPOSITS

a) This item consists of the following:

	31 December 2009
Restricted investment deposit - Note 5 (b)	6,000,000
Investment deposit maturity date more than three months	40,000,000
Total - Exhibit A	**46,000,000**

b) Investment deposit amounting to AED 6,000,000 as of 31 December 2009 represents the amount which cannot be utilized without the consent of the UAE Ministry of Economy in accordance with the requirements of the Federal Law number 6 of 2007 with the matter of establishing Insurance Authority and organizing its working in United Arab Emirates.

6. TAKAFUL AND OTHER RECEIVABLES

This item consists of the following:

	31 December 2009
Takaful receivable	23,914,044
Due from related parties - Note 20	195,312
Receivable from share holder (related to investment in listed company) - Note 20	1,500,000
Other receivables	18,950
Total - Exhibit A	**25,628,306**

7. PREPAYMENTS AND OTHER ASSETS

This item consists of the following:

	31 December 2009
Prepaid expenses	**1,189,836**
Margin on letters of guarantee	**84,000**
Advances on staff accommodation	**479,380**
Advances for companies under formation	**822,178**
Refundable deposits	**192,728**
Anticipated income from investment deposits	**756,267**
Advance payments to suppliers	**392,126**
Total - Exhibit A	**3,916,515**

8. **PROPERTY AND EQUIPMENT**

The details of cost, accumulated depreciation and the respective carrying amounts of various categories of property and equipment are as follows:

	Furniture, fixtures and office equipment	Computers and software	Total
COST			
Additions	2,787,086	2,583,641	5,370,727
Disposals	(1,745,801)	----	(1,745,801)
At 31 December 2009	1,041,285	2,583,641	3,624,926
ACCUMULATED DEPRECIATION			
Charge for the period	(621,078)	(725,900)	(1,346,978)
Related to disposals	441,391	----	441,391
At 31 December 2009	(179,687)	(725,900)	(905,587)
NET BOOK VALUE			
At 31 December 2009 - Exhibit A	861,598	1,857,741	2,719,339

9. RETAKAFUL AND OTHER PAYABLES

a) This item consists of the following:

	31 December 2009
Retakaful payables	**2,388,676**
Accounts payables	**214,885**
Post dated cheques issued - Note 9 (b)	**517,002**
Staff payables	**2,254**
Total - Exhibit A	**3,122,817**

b) Post dated cheques issued amounting to AED 517,002 mature before 31 December 2010.

10. POLICYHOLDERS' LIABILITIES

This item consists of the following:

	31 December 2009
Unearned contributions provision	**21,209,451**
Outstanding claims reserve	**6,333,795**
IBNR - Technical reserve	**3,200,000**
Reinsurance premium provision	**848,612**
Total - Exhibit A	**31,591,858**

11. ACCRUED EXPENSES AND OTHER LIABILITIES

This item consists of the following:

	31 December 2009
Accrued expenses	**1,070,450**
Provisions related to staff	**1,043,952**
Total - Exhibit A	**2,114,402**

12. END OF SERVICE BENEFITS OBLIGATION

Details of movement in this account during the period are as follows:

	31 December 2009
Current service cost	**450,898**
Settlements	**(20,624)**
Balance at end of the period - Exhibit A	**430,274**

13. CAPITAL

The authorized, issued and paid up capital of the company as per Article of Association is AED 150,000,000 (Exhibit A) divided into 150,000,000 shares of AED 1 par value per share.

14. **TAKAFUL CONTRIBUTIONS**

This item consists of the following:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Gross takaful contributions	55,796,486
Change in unearned contributions provision	(21,209,451)
Net - Exhibit B	34,587,035

15. **WAKALA FEES AND MUDARIB FEES**

a) The shareholders manage the takaful operations for the policyholders and charged the following percentage of gross takaful contributions as wakala fees:

Motor	12.5%
Medical	10%
Others	17.5%

b) The shareholders manage the policyholders' investment fund and charge 10% of investment income earned by policyholders' investment fund as mudarib fees.

16. **SHAREHOLDERS' INVESTMENT INCOME**

This item consists of the following:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Income from investment deposits	4,560,945
Return on held to maturity investment	22,873,045
Gain on sale of investments - FVTPL	11,368,115
Total - Exhibit B	38,802,105

17. **PRE - OPERATING EXPENSES**

This item consists of the following:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Subscription expenses	2,717,600
Advertisement	1,403,044
Legal and professional fees	466,000
Printing and stationery	170,000
Total - Exhibit B	**4,756,644**

18. **GENERAL AND ADMINISTRATIVE EXPENSES**

This item consists of the following:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Salaries and related benefits	16,447,087
Rent	3,889,128
Depreciation of property and equipment	1,346,978
Government and legal expenses	870,809
Communication charges	365,366
Advertising	590,899
Printing, stationery and supplies	227,593
Miscellaneous expenses	3,390,175
Total - Exhibit B	**27,128,035**

19. **BASIC EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Profit for the period	17,008,074
Weighted average number of shares outstanding during the period	150,000,000
Basic earnings per share - Exhibit B	**0.11**

20. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise major shareholders, directors and key management personnel of the Company and entities related to them, companies under common ownership and / or common management and control.

As at the statement of financial position date the outstanding amounts with related parties were as follows:

a) *Due from related parties* :

This item consists of the following :

	31 December 2009
Directors	41,990
Entities related to shareholders.	1,653,322
Total - Note 6	**1,695,312**

b) From the above balances AED 143,302 relates to insurance premium due on arms length basis.

c) The significant transactions with related parties are as follows:

	For the period from 11 March 2008 (date of inception) to 31 December 2009
Gross takaful contributions	413,129
Sales of shares to a company related to shareholders	1,500,000
Compensation paid to Key Management Personnel	2,143,008

21. SEGMENTAL INFORMATION

For management purposes the Company is organized into two business segments, general takaful and investment. The general takaful segment comprises the takaful business undertaken by the Company. Investments 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:

	Policyholders	Shareholders	Total
General Takaful			
Net underwriting income	6,981,372	----	6,981,372
Wakala fees	(6,893,142)	6,893,142	----
Total	88,230	6,893,142	6,981,372
Investments			
Investment income	19,161	38,802,105	38,821,266
Mudarib fees	(1,916)	1,916	----
Other income and expenses	----	(28,689,089)	(28,689,089)
Total	17,245	10,114,932	10,132,177
Profit for the period	105,475	17,008,074	17,113,549

The following tables demonstrate certain assets and liabilities information regarding business segments:

	Policyholders	Shareholders	Total
Total assets	34,303,147	170,069,753	204,372,900
Total liabilities	34,197,672	10,738,713	44,936,385

22. FINANCIAL INSTRUMENTS

In accordance to International Financial Reporting Standards "Financial Instrument" is defined as any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

a) Financial instruments consist of financial assets and financial liabilities. Financial assets and financial liabilities of the company include the following:

	31 December 2009
Financial assets	
Cash and cash equivalents	126,108,740
Investment deposits	46,000,000
Takaful and other receivables	25,628,306
Other assets	2,726,679
Total	200,463,725

Financial liabilities

Retakaful and other payables	**3,122,817**
Policyholders' liabilities	**31,591,858**
Accrued expenses and other liabilities	**2,114,402**
Zakat payable	**7,677,034**
End of service benefits obligation	**430,274**
Total	**44,936,385**

b) *Fair value of financial instruments*

Fair value of a financial instrument represents the amount at which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of the company's financial instruments that are classified within current assets and current liabilities approximate their book value, because of their bearing a short maturity and since no material differences are expected either upon receipt or settlement.

c) Accounting policies for financial assets and liabilities are set out in Note 3.

23. RISK MANAGEMENT

The Company monitors and manages the financial risks relating to its business and operations. These risks include: capital risk, market risk (including currency risk and price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) *Capital Risk*

Since the company is in its first period of operation, its capital is only comprised of equity

The Company's objective is primarily to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 with the matter of establishing Insurance Authority and rganizing its working in United Arab Emirates.

The Insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities.

In the first year of operations, the company duly complied with local insurance solvency regulations.

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

b) *Foreign currency risk*

The Company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the period. The Company maintains policies and procedures to manage the exchange rate risk exposure.

The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only is respect of other currencies. The deposits of the company with Islamic financial institutions and the other investments are mainly denominated in UAE Dirham or currencies linked there to.

c) *Profit Margin Risk*

Profit margin risk arises from the possibility that changes to margin will effect either future profitability or the fair value of financial instruments. The Company is exposed to profit margin risk on its investments and deposits. The Company limits profit margin risk by monitoring changes in margin prices in the currencies in which deposits and investments are denominated.

d) *Price risk*

The Company is exposed to equity price risks arising from equity investments. However, those risks are insignificant to the Company as the Company does not actively trade these investments.

Moreover, there were no major disposals or impairment of available-for-sale investments.

e) *Credit risk*

Credit risk refers to the risk that a debtor-obligor will default on its contractual obligations resulting in financial loss to the Company. The Company maintains a credit policy that states dealing with only creditworthy parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company monitors, regularly, the credit ratings of its debtors-obligor and the volume of transactions with those debtors-obligor during the period. Ongoing credit evaluation is performed on the financial condition of debtors-obligor. However, credit risk exposures are insignificant. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) *Liquidity risk*

The Company's board of directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the board of directors.

The Company maintains adequate reserves, banking facilities and reserve islamic financing facilities by monitoring its cash flows and matching them with maturity dates of the financial assets and liabilities.

g) *Insurance risk*

The risk under an insurance contract is the likelihood that the insured event occurs and resulting in a claim. By the nature of an insurance contract, this risk is random and therefore unpredictable

The Company's underwriting strategy is to diversify the type of insurance risks accepted within each of the insurance classes. The underwriting strategy endeavours to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria and to achieve a diversified risk portfolio and thereby reduce the variability of the technical result.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and claims handling.

24. CONTINGENT LIABILITIES

This item consists of the following:

	31 December 2009
Letters of guarantee	**6,084,000**

25. GENERAL

The figures in the financial statements are rounded to the nearest Dirham of United Arab Emirates.