

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 TO 31 DECEMBER 2008

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 balance sheet as of 31 December 2008, and the income statement, statement of changes in partners' equity and cash flow statement for the period from 11 March 2008 to 31 December 2008, 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 entity'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 entity'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.

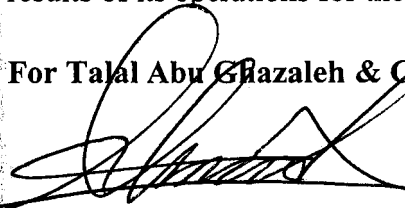
Opinion

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 2008, and of its financial performance and its cash flows for the period from 11 March 2008 to 31 December 2008 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. (9) of 1984 (as amended) concerning Insurance Companies and Agents 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 year.

For **Talal Abu Ghazaleh & Co. International**



Ahmed Abu Abed
Licensed Auditor No. 485



14 January 2009



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

EXHIBIT A


BALANCE SHEET AS OF 31 DECEMBER 2008

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

	<u>NOTE</u>	<u>31 December 2008</u>
<u>ASSETS</u>		
Cash and cash equivalents	3	4,960,489
Investment deposits		41,000,000
Prepayments and other receivables	4	3,262,312
Held to maturity investment	5	103,255,966
Investments at fair value through profit or loss	6	6,543,676
Property and equipment	7	2,350,327
TOTAL ASSETS		<u>161,372,770</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable		21,616
Accrued expenses and other payables	8	188,094
End of service benefits obligation		73,519
Total liabilities		<u>283,229</u>
 <u>SHAREHOLDERS' EQUITY</u>		
Capital	9	150,000,000
Legal reserve	10	1,108,954
Retained earnings		9,980,587
Total shareholders' equity - Exhibit C		<u>161,089,541</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>161,372,770</u>

The financial statements were authorized for issue on 14 January 2009 by:





 Mr. Abdullah Alotaibi
 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

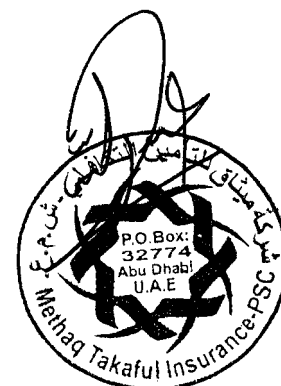
EXHIBIT B

STATEMENT OF INCOME FOR THE PERIOD
FROM 11 MARCH 2008 TO 31 DECEMBER 2008

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

	<u>NOTE</u>	<u>For the period</u> <u>from 11 March 2008</u> <u>to 31 December 2008</u>
<u>Attributable to policyholders</u>		
<u>Underwriting income:</u>		
Takaful contributions revenue		24,018
Retakaful contributions ceded		(24,018)
Net earned contributions		----
Commission received on retakaful contributions ceded		2,402
Underwriting expenses		----
Net underwriting income		2,402
Wakala fees	11	(2,402)
Net income from takaful operations for the period		----
<u>Attributable to shareholders</u>		
IPO subscription fees		4,500,000
Income from investment deposits		2,336,757
Return on held to maturity investment		5,347,619
Gain on sale of investments at fair value through profit or loss		12,542,477
Wakala fees from policyholders	11	2,402
Pre - operating expenses	12	(4,756,644)
Unrealized (loss) on revaluation of investments at fair value through profit or loss	6	(2,838,270)
General and administrative expenses		(6,044,800)
Provision of loan to policyholders fund		----
Profit for the period - Exhibit C & D		11,089,541
Basic earnings per share	13	0.07

*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 TO 31 DECEMBER 2008

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

	<u>Capital</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Paid up capital	150,000,000	----	----	150,000,000
Profit for the period - Exhibit B	----	----	11,089,541	11,089,541
Transferred to legal reserve	----	1,108,954	(1,108,954)	----
Shareholders' equity at 31 December 2008 - Exhibit A	<u>150,000,000</u>	<u>1,108,954</u>	<u>9,980,587</u>	<u>161,089,541</u>

*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 TO 31 DECEMBER 2008

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

	<u>For the period</u> <u>from 11 March 2008</u> <u>to 31 December 2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Profit for the period - Exhibit B	11,089,541
<u>Adjusted for:</u>	
Depreciation on property and equipment	127,939
End of service benefits obligation	73,519
Unrealized (loss) on revaluation of investments at fair value through profit or loss	2,838,270
Income from investment deposits	(2,336,757)
Return on held to maturity investment	(5,347,619)
Gain on sale of investments at fair value through profit or loss	(12,542,477)
Operating (loss) before working capital changes	(6,097,584)
<u>(Increase) in operating assets:</u>	
Prepayments and other receivables	(3,262,312)
<u>Increase in operating liabilities:</u>	
Accounts payable	21,616
Accrued expenses and other payables	188,094
<i>Net cash (used in) operating activities</i>	<u>(9,150,186)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment deposits	(41,000,000)
Income from investment deposits	2,336,757
Held to maturity investment	(103,255,966)
Return on held to maturity investment	5,347,619
Investments at fair value through profit or loss	(142,179,192)
Proceeds from sale of investments at fair value through profit or loss	145,339,723
Purchases of property and equipment	(2,478,266)
<i>Net cash (used in) investing activities</i>	<u>(135,889,325)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES :</u>	
Paid up capital	150,000,000
<i>Net cash from financing activities</i>	<u>150,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>4,960,489</u>
CASH AND CASH EQUIVALENTS - END OF THE PERIOD - Note 3	<u><u>4,960,489</u></u>

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

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 registered with Department of Planning and Economy - 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).
- b) The company's domicile is in the Emirate of Abu Dhabi.
- c) The principal activities of the company are health insurance, insurance against hazards of land, marine and air transportation, insurance against fire, insurance against accident and liabilities, reinsurance and other types of insurance.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company have been presented in accordance with International Financial Reporting Standards. The following are the significant accounting policies used in the presentation of the attached financial statements which are followed by the Company:

a. *Accounting convention*

The financial statements for the company are prepared under the historical cost convention, except the measuring of fair value for certain financial instruments.

b. *Cash and cash equivalents*

Cash represents cash on hand and balances in current accounts with banks. Cash equivalents includes the entire highly liquid investments which are readily convertible into known amounts of cash and which are exposed to an insignificant risk of changes in values.

c. *Held - to - maturity investment*

Held - to - maturity investment is financial asset with fixed payments and fixed maturity that the company has the positive intent and ability to hold to maturity. Such investment is measured at amortized cost. When a held to maturity investment is determined to be impaired, the amount of the loss is included in the statement of income.

d. *Investments at fair value through profit or loss*

- Investments at fair value through profit or loss represent investment in shares which are initially recognized at cost. As of the date of financial statements quoted shares are measured at fair value. Unrealized gain or loss which has resulted from revaluation is recognized in statement of income.
- Unlisted shares are measured at cost including acquisition expenses.

e. *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation there of provided for up to the date of the financial statements. Depreciation is computed using the straight line method based on the estimated useful life of related assets. The useful life of the company's various categories of property and equipment are as follows:

Furniture, fixtures and office equipment	5 years
Computers and software	3 years

The assets cost and respective accumulated depreciation of property and equipment retirement and disposal are eliminated from the respective accounts and any resulting gain or loss is taken currently to statement of income.

f. *Provision for leave*

Provision for leave 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.

g. *Employees end of service benefits obligation*

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

h. *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 accrual basis.

i. *Foreign currency*

Monetary assets and liabilities denominated in foreign currency are converted into UAE Dirhams at rates of exchange ruling at the balance sheet date. Foreign currency transactions occurring during the year are converted into UAE Dirhams at actual rates of exchange prevailing at the time of these transactions. Gains or losses resulting from the variation in exchange rates are taken currently to statement of income.

j. *Impairment*

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and recognized in the income statement immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized earlier.

3. **CASH AND CASH EQUIVALENTS**

This item consists of the following:

31 December 2008

Cash on hand	55,000
Cash at banks - current accounts	<u>4,905,489</u>
Total - Exhibit A & D	<u><u>4,960,489</u></u>

4. **PREPAYMENTS AND OTHER RECEIVABLES**

This item consists of the following:

31 December 2008

Prepaid expenses	757,838
Advance payments to suppliers	1,096,082
Accrued income from investment deposits	520,493
Refundable deposits	114,393
Margin on letters of guarantee	39,000
Staff receivable	14,000
Other receivables	<u>720,506</u>
Total - Exhibit A	<u><u>3,262,312</u></u>

5. **HELD TO MATURITY INVESTMENTS**

Held to maturity securities represent investment in Ijara Sukuk, with a local diversified company, which has a fixed lifespan maturing on 14 December 2009.

Return on held to maturity investment is calculated on amortized cost basis.

6. **INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

a) This item represents investment in shares which consists of the following:

31 December 2008

	<u>Cost value</u>	<u>Market value</u>	<u>Unrealized (loss) on revaluation of investments at fair value through profit or loss</u>
Listed shares	4,368,270	1,530,000	(2,838,270)
Unlisted shares	5,013,676	5,013,676	---
Total	<u>9,381,946</u>	<u>6,543,676</u>	<u>(2,838,270)</u>

b) Changes in portfolio for the current period as follows:

Cost of shares purchased during the period

Cost of shares sold during the period

Shares cost at end of the period

Unrealized (loss) on revaluation of investments at fair value through profit or loss - Exhibit B

Market value of investments at fair value through profit or loss - Exhibit A

	<u>Amount</u>
	142,179,192
	(132,797,246)
	9,381,946
	(2,838,270)
	<u>6,543,676</u>

7. **PROPERTY AND EQUIPMENT**

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

<u>COST</u>	<u>Furniture, fixtures and office equipment</u>	<u>Computers and software</u>	<u>Total</u>
Additions	2,293,509	184,757	2,478,266
At 31 December 2008	<u>2,293,509</u>	<u>184,757</u>	<u>2,478,266</u>
 <u>ACCUMULATED DEPRECIATION</u>			
Charge during the period	(115,884)	(12,055)	(127,939)
At 31 December 2008	<u>(115,884)</u>	<u>(12,055)</u>	<u>(127,939)</u>
 <u>NET BOOK VALUE</u>			
At 31 December 2008 - Exhibit A	<u>2,177,625</u>	<u>172,702</u>	<u>2,350,327</u>

8. **ACCRUED EXPENSES AND OTHER PAYABLES**

This item consists of the following:

31 December 2008

Accrued expenses	27,720
Provision for leave salaries	142,954
Provision for air tickets	17,420
Total - Exhibit A	<u><u>188,094</u></u>

9. **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.

10. **LEGAL RESERVE**

In accordance with the Article of Association 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.

11. **WAKALA FEES**

The shareholders manage the takaful operations for the policyholders and charged 10% of gross takaful contributions as wakala fees.

12. **PRE - OPERATING EXPENSES**

This item consists of the following:

For the period
from 11 March 2008
to 31 December 2008

Subscription expenses	2,717,600
Advertisement	1,403,044
Legal and professional fees	466,000
Printing and stationery	170,000
Total - Exhibit B	<u><u>4,756,644</u></u>

13. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period.

For the period from 11 March 2008 to 31 December 2008, the net profit is AED 11,089,541 and the weighted average number of shares outstanding during the period is 150,000,000 shares.

14. 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.

Financial instruments consist of financial assets and financial liabilities. Financial assets of the company include cash and cash equivalents, investment deposits, investments and other receivables. Financial liabilities of the company include accounts payable, accrued expenses and other payables. The company does not use derivative instruments.

Accounting policies for financial assets and liabilities are set out in Note 2.

The risks involved with financial instruments, and the company's approach to managing such risks are mentioned below:

a) *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 nature as a short maturity and no material differences are expected either upon receipt or settlement.

Fair value of investments at fair value through profit or loss is disclosed in Note 6.

b) *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. The financial instruments that subject the company to credit risk consist mainly of cash at banks.

The company deposits its liquid funds at local banks chosen by management.

c) *Market risk*

Market 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 in marketable securities. The company limits markets risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the company actively monitors the key factors that affect stock and the market movements, including analysis of the operational and financial performance of investees.

d) *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in 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.

e) *Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial and takaful liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet all liabilities as they arise.

15. **CONTINGENT LIABILITIES**

This item consists of the following:

31 December 2008

Letters of guarantee	39,000
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16. **GENERAL**

- This is the first financial statements issued for the company.
- The figures in the financial statements are rounded to the nearest Dirham of United Arab Emirates.