

Takaful House PJSC

INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2008 (UNAUDITED)

REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL HOUSE PJSC

Introduction

We have reviewed the accompanying interim financial statements of Takaful House PJSC (the "Company") as at 31 December 2008, comprising of the interim balance sheet as at 31 December 2008 and the related interim statement of income, statements of changes in equity and cash flows for the period since inception then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by:

Ali Issa

Partner

Registration No. 488

Dubai, United Arab Emirates

10 February 2009

Takaful House PJSC
INTERIM INCOME STATEMENT (Unaudited)

Period ended 31 December 2008

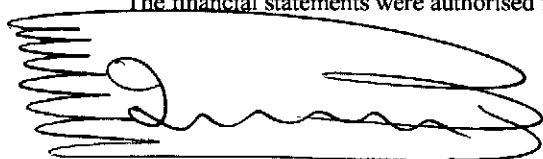
		<i>1 October to 31 December 2008 AED</i>	<i>Inception to 31 December 2008 AED</i>
	<i>Notes</i>		
ATTRIBUTABLE TO PARTICIPANTS			
Contributions earned	4	711,667	719,472
Contributions ceded to retakaful		(97,966)	(100,499)
Net contributions revenue		613,701	618,973
Commission received on ceded contributions		29,567	30,450
		<u>643,268</u>	<u>649,423</u>
UNDERWRITING EXPENSES			
Claims	5	(177,057)	(180,960)
Commission paid		(615,059)	(617,176)
NET UNDERWRITING LOSS		<u>(148,848)</u>	<u>(148,713)</u>
Wakala fees	6	(970,084)	(973,614)
Excess of loss retakaful		(58,388)	(77,850)
Expenses allocated to participants		(106,441)	(135,331)
Other expenses		(155)	(155)
DEFICIT FOR THE PERIO		<u>(1,283,916)</u>	<u>(1,335,663)</u>
ATTRIBUTABLE TO SHAREHOLDERS			
INCOME			
Pre-incorporation profits	7	-	326,829
Income from Wakala deposits	15 (b)	819,485	1,596,256
Policy and survey fees		21,650	22,750
Wakala fees from participants	6	970,084	973,614
		<u>1,811,219</u>	<u>2,919,449</u>
EXPENSES			
General and administrative expenses		(1,248,552)	(1,642,516)
Expenses incurred during the period from inception to commencement of operations		-	(669,723)
Unrealised loss on investment at fair value through profit and loss	8	(2,657,712)	(2,954,717)
Loss before provision		<u>(2,095,045)</u>	<u>(2,347,507)</u>
Provision against Qard Hassan to participants		(1,283,916)	(1,335,663)
LOSS FOR THE PERIOD		<u>(3,378,961)</u>	<u>(3,683,170)</u>
Basic and diluted earnings per share		<u>(0.034)</u>	<u>(0.037)</u>

The attached notes 1 to 19 form part of these financial statements.

Takaful House PJSC
INTERIM BALANCE SHEET (Unaudited)
At 31 December 2008

	<i>Notes</i>	2008 AED
ASSETS		
Property and equipment	9	11,258,490
Financial assets carried at fair value through profit and loss	8	3,526,601
Contributions receivable		2,513,421
Prepayments and other assets	10	2,890,931
Wakala deposits	11	79,897,399
Cash and bank balances	12	1,651,537
TOTAL ASSETS		101,738,379
EQUITY, PARTICIPANTS' FUND AND LIABILITIES		
Equity		
Share capital	13	100,000,000
Accumulated losses		(3,683,170)
Total equity		96,316,830
Participants' fund		
Qard Hassan from shareholders' fund		1,335,663
Deficit in participants' fund	14	(1,335,663)
Total participants fund		-
Liabilities		
Takaful contract liabilities		4,960,663
Other liabilities		460,886
Total Liabilities		5,421,549
TOTAL EQUITY AND LIABILITIES		101,738,379

The financial statements were authorised for issue in accordance with a resolution of the directors on 10th Feb. 2009



Mr. Mohamed Ali Al-Neaimi
Chairman



Mr. Wan Zamri Wan Ismail
General Manager

Takaful House PJSC**INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)**

Period ended 31 December 2008

	<i>Share capital AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Share capital issued	100,000,000	-	100,000,000
Loss for the period	-	(3,683,170)	(3,683,170)
Balance at 31 December 2008	100,000,000	(3,683,170)	96,316,830

The attached notes 1 to 19 form part of these financial statements.

INTERIM CASH FLOW STATEMENT (Unaudited)

Period months ended 31 December 2008

	<i>Notes</i>	<i>Since inception to 31 December 2008 AED</i>
OPERATING ACTIVITIES		
Loss for the period		(3,683,170)
Adjustments for:		
Depreciation	9	91,650
Provision for claims		118,149
Changes in fair value of investments carried at fair value through income statement	8	2,954,717
Income from Wakala deposits		(1,596,256)
		(2,114,910)
Changes in operating assets and liabilities:		
Contributions receivable		(2,513,421)
Prepayments and other receivables		(2,253,999)
Takaful contract liabilities		4,842,514
Other liabilities		460,886
Net cash used in operating activities		(1,578,930)
INVESTING ACTIVITIES		
Purchase of property and equipment	9	(11,350,140)
Purchase of financial assets carried at fair value through profit and loss		(6,481,318)
Wakala deposits		(79,897,399)
Profit received on wakala deposits		959,324
Net cash used in investing activities		(96,769,533)
FINANCING ACTIVITIES		
Share capital issued		100,000,000
Net cash from financing activities		100,000,000
INCREASE IN CASH AND CASH EQUIVALENTS		1,651,537
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	1,651,537

The attached notes 1 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

1 ACTIVITIES

Takaful House PJSC (the "Company") is incorporated as a public joint stock company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company carries out general takaful (insurance) retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of the Articles and Memorandum of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced operations on 1 September 2008.

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire and engineering and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities and properties.

2 BASIS OF PREPARATION

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments carried at fair value through profit or loss.

The financial statements have been presented in UAE Dirhams (AED) which is the functional currency of the Company.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation.

Statement of compliance

The balance sheet of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws.

The Articles of Association of the Company requires that separate profit and loss account should be maintained for takaful operations on behalf of the participants. Accordingly, the income statement is prepared on that basis.

IASB Standards issued but not adopted

The following IASB Standards have been issued but are not yet mandatory, and have not yet been adopted by the Company.

IAS 1 Presentation of Financial Statements

A revised IAS 1 *Presentation of Financial Statements* was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The application of this standard will result in amendments to the presentation of the financial statements.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2006 and becomes effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Company discloses information about its operating segments.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions earned

Contributions are accounted for on the date of writing of policies after adjusting for unearned contributions.

Claims

Claims consist of amounts paid and payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred. Provision for incurred but not reported (IBNR) claims is included within additional reserve.

The Company generally estimates its claims based on experience. Independent loss adjusters normally estimate probable claims payable. 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.

Liability adequacy test

At each balance sheet date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an additional reserve created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the balance sheet date.

Retakaful

The Company cedes takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded retakaful arrangements do not relieve the Company from its obligations to participants.

Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business.

Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract.

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Policy acquisition costs

Commissions and wakala fee directly related to the acquisition and renewal of takaful contracts are charged to the income statement when service relating to them are rendered.

Commissions earned and paid

Commissions earned and paid are recognised when service relating to them are rendered.

Investment income

- (i) Income from investment deposits is recognised on an accrual basis.
- (ii) Dividend income is accounted for when the right-to- receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and on investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Product classification

Takaful contracts are those contracts when the Company has accepted significant insurance risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Company does not have any investment contracts with Discretionary Participation Features (DPF).

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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 return that are different from those of segments operating in other economic environments.

Property and equipment

Property 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 assets as follows:

Furniture and fixtures	over 4 years
Computer and office equipment	over 3-5 years

Capital work-in-progress is not depreciated.

The carrying values of property 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, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture, fixtures and office equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fixtures and office equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset is included in the income statement in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Company classifies its investments into financial assets at fair value through profit or loss and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit or loss, as the Company's strategy is to manage financial investments acquired to cover its takaful and investments contract liabilities (including shareholders' funds), on the same bases, being fair value. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date ie the date the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Contribution receivables

Provision is made against contributions and takaful balances receivable as soon as they are considered doubtful of recovery.

Deficit in participants' fund

Any deficit in the participants' fund is financed by the shareholders through Qard Hassan. The Company maintains a full provision against such Qard Hassan. Qard Hassan is the transfer of ownership in fungible wealth to a person on whom it is binding to return wealth similar to it without interest or profit.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Takaful contract liabilities

(i) Unearned contribution reserve

At the end of each reporting period, a proportion of net retained contribution of the general takaful business is provided to cover portions of risks which have not expired at the balance sheet date. The reserves are calculated on a time proportion basis. The Company ensures that the requirements of Federal Law No. 9 of 1984 relating to calculation of unearned contribution reserve is met by ensuring the reserve is not less than 40% of annual contributions earned net of retakaful for all classes of takaful (25% for marine business).

(ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned contributions, for claims incurred but not reported (IBNR) at the balance sheet date and for potential shortfall in unearned contribution reserve.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the period
- b) delay in reporting these claims
- c) shortfall in unearned contribution reserve, if any.

(iii) Outstanding claims

Takaful contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the balance sheet date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

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 it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat

The Company is not required to pay zakat on behalf of its shareholders and zakat is payable directly by the shareholders.

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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Company presentation currency is UAE Dirhams (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Fair values

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Judgements

In the process of applying the Company's accounting policies, management make judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit.

The Company classifies investments as fair value through income statement if management evaluates their performance on a fair value basis.

All other investments are classified as available for sale.

Impairment of equity investments

The Company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair value for the year. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Judgements (continued)***Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on takaful receivables

The Company reviews its takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant takaful receivables, the Company also makes a collective impairment provision against takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for takaful receivables within each grade and is adjusted to reflect current economic changes.

Retakaful

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

4 CONTRIBUTION EARNED

	<i>1 October to 31 December 2008 AED</i>	<i>Inception to 31 December 2008 AED</i>
Gross contributions written	5,075,395	5,301,285
Unearned contributions	(4,363,728)	(4,581,813)
Contribution earned	<u>711,667</u>	<u>719,472</u>

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

5 CLAIMS

	<i>1 October to 31 December 2008 AED</i>	<i>Inception to 31 December 2008 AED</i>
Claims paid	62,810	62,810
Provision for reported claims	114,247	118,150
	<u>177,057</u>	<u>180,960</u>

6 WAKALA FEES

The shareholders manage the takaful operations for the participants and can charge up to 30% of gross written contribution as wakala fees and brokerage commission.

Wakala fees have been approved by the Company's Fatwa and Shari'a Supervisory Board.

7 PRE-INCORPORATION PROFITS

This represents income earned on investing the Company's share capital as well as excess funds received through the initial public offering (IPO) subscriptions, net of expenses up to 1 July 2008, date of incorporation. These are as follows:

	<i>1 October to 31 December 2008 AED</i>	<i>Inception to 31 December 2008 AED</i>
Income from Wakala deposits	-	1,620,126
Offering fee	-	3,500,000
	-	5,120,126
Pre-incorporation expenses	-	(4,793,297)
	-	<u>326,829</u>

8 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	<i>2008 AED</i>
Quoted securities at cost	5,496,717
Cumulative fair value adjustments recognised in the income statement	(2,954,717)
	<u>2,542,000</u>
Unquoted sukuk	984,601
	<u>3,526,601</u>

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

9 PROPERTY AND EQUIPMENT

	<i>Capital work- in-progress AED</i>	<i>Furniture and fixtures AED</i>	<i>Computer and office equipment AED</i>	<i>Total AED</i>
Additions during the period	10,652,711	17,826	679,603	11,350,140
At 31 December 2008	<u>10,652,711</u>	<u>17,826</u>	<u>679,603</u>	<u>11,350,140</u>
Depreciation:				
Charge for the period	-	1,857	89,793	91,650
At 31 December 2008	<u>-</u>	<u>1,857</u>	<u>89,793</u>	<u>91,650</u>
Net carrying amount:				
At 31 December 2008	<u>10,652,711</u>	<u>15,969</u>	<u>589,810</u>	<u>11,258,490</u>

Capital work in progress represents the cost paid upto balance sheet date for purchase of office space.

10 PREPAYMENT AND OTHER ASSETS

	<i>2008 AED</i>
Claim Recoverable	260,700
Pre-paid expenses	123,750
Employee advances	25,108
Due from related parties (Note 15 (a))	1,844,441
Accrued return on Wakala deposits	636,932
	<u>2,890,931</u>

11 WAKALA DEPOSITS

Wakala deposits are placed with a related party an Islamic financial institution, and carry profit at rates ranging from 3.5% to 6.5 % per annum. These deposits mature by August 2009.

12 CASH AND BANK BALANCES

	<i>2008 AED</i>
Cash	540
Bank balances	1,650,997
	<u>1,651,537</u>

13 SHARE CAPITAL

	<i>2008 AED</i>
<i>Authorised, issued and fully paid</i>	
100,000,000 shares of AED 1 each	<u>100,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

14 PARTICIPANTS' FUND

	2008 AED
Bank balances	838,478
Placement with Islamic financial institution	1,500,000
Contribution receivables	2,513,421
Claim recoverable	260,700
Total assets	5,112,599
Less:	
Unearned contributions	(4,581,813)
Retakaful payable	(70,049)
Provision for claims	(378,850)
Commissions payable	(285,855)
Expenses payable to shareholders fund	(1,131,695)
Total liabilities	(6,448,262)
Net deficit for the period / Payable to shareholders	(1,335,663)

15 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Balances with related parties

Balances with related parties included in the balance sheet are as follows:

	2008 AED
<i>Placements with Islamic financial institutions</i>	
<i>Shareholders</i>	
Mawarid Finance PJSC	79,897,399
<i>Due from related parties</i>	
Mawarid Finance PJSC	341,155
Al Jazeera Financial Services	1,503,286
	1,844,441

b) Transactions with related parties

Transactions with related parties included in the balance sheet are as follows:

	1 October to 31 December 2008 AED	Inception to 31 December 2008 AED
<i>Income from wakala deposits</i>		
<i>Major Shareholders</i>		
Mawarid Finance PJSC	819,485	1,596,256

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

15 RELATED PARTY TRANSACTIONS (continued)

	<i>1 October to 31 December 2008 AED</i>	<i>Inception to 31 December 2008 AED</i>
<i>Contributions earned</i>		
<i>Major Shareholders</i>	<u>8,163</u>	<u>8,470</u>
<i>Management charges paid</i>		
<i>Major Shareholders</i>		
Mawarid Finance PJSC	<u>200,000</u>	<u>200,000</u>
<i>Purchase of property</i>		
<i>Major Shareholders</i>		
Mawarid Finance PJSC	<u>9,601,500</u>	<u>9,601,500</u>
<i>Compensation of key management personnel</i>		
Short-term benefits	<u>150,000</u>	<u>300,000</u>
Employees' end of service benefits	<u>28,327</u>	<u>28,327</u>
	<u>178,327</u>	<u>328,327</u>

16 FATWA AND SHARI'A SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Fatwa and Shari'a Supervisory Board (FSSB) consisting of three members appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shari'a rules and principles.

17 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised 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:

	<i>1 October to 31 December 2008</i>			<i>Inception to 31 December 2008</i>		
	<i>Policy- holders AED</i>	<i>Share- holders AED</i>	<i>Total AED</i>	<i>Policy- holders AED</i>	<i>Share- holders AED</i>	<i>Total AED</i>
<i>General takaful</i>						
Net underwriting loss	(148,848)	-	(148,848)	(148,713)	-	(148,713)
Wakala fees	(970,084)	970,084	-	(973,614)	973,614	-
	<u>(1,118,932)</u>	<u>970,084</u>	<u>(148,848)</u>	<u>(1,122,327)</u>	<u>973,614</u>	<u>(148,713)</u>

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

17 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

	1 October to 31 December 2008			Inception to 31 December 2008		
	Policy-holders AED	Share-holders AED	Total AED	Policy-holders AED	Share-holders AED	Total AED
<i>Investments</i>						
Investment income	-	819,485	819,485	-	1,596,256	1,596,256
Other income and expenses	(164,984)	(3,884,614)	(4,049,598)	(213,336)	(4,917,377)	(5,130,713)
	<u>(164,984)</u>	<u>(3,065,129)</u>	<u>(3,230,113)</u>	<u>(213,336)</u>	<u>(3,321,121)</u>	<u>(3,534,457)</u>
Profit and loss for the period	<u>(1,283,916)</u>	<u>(2,095,045)</u>	<u>(3,378,961)</u>	<u>(1,335,663)</u>	<u>(2,347,507)</u>	<u>(3,683,170)</u>

The following tables demonstrate certain asset and liability information regarding business segments:

	General takaful AED	Investment AED	Total AED
Total assets	<u>3,980,905</u>	<u>97,757,474</u>	<u>101,738,379</u>
Total liabilities	<u>4,960,663</u>	<u>460,886</u>	<u>5,421,549</u>

Secondary segment information

For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

18 COMMITMENTS

	2008 AED
Capital expenditure commitments:	
Estimated capital expenditure contracted for at the balance sheet date but not provided for:	<u>808,429</u>
Other commitments:	
Other commitments	<u>71,000</u>

19 RISK MANAGEMENT

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

19 RISK MANAGEMENT (continued)

(a) Governance framework (continued)

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the board of directors to the General Manager and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The General Manager under the authority delegated from the board of directors defines the Company's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements. The Fatwa and Shari'a Supervisory Board (FSSB) ensures the compliance of all transactions and decisions with the rules and regulations of Islamic Shari'a.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the participants and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (eg capital adequacy) to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under takaful contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from takaful contracts by reference to the type of benefits payable to contract holders.

The General Manager actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful contracts.

The General Manager regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with takaful liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Takaful risk

The principal risk the Company faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

19 RISK MANAGEMENT(continued)

Takaful risk (continued)

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire, motor, marine, engineering, general accidents and other liabilities. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Geographical concentration of risks

The takaful risk arising from takaful contracts is concentrated mainly in the United Arab Emirates.

Retakaful risk

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful 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 retakaful is effected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company deals with reinsurers approved by the Board of Directors.

Financial risk

The Company's principal financial instruments are financial investments (at fair value through profit or loss and available for sale), receivables arising from takaful and retakaful contracts, statutory deposits and cash and cash equivalents.

The Company does not enter into material derivative transactions.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, profit rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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 following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's available for sale investments and at fair value through profit or loss investments are managed by the General Manager in accordance with the guidance of the Investment Committee and the supervision of the Board of Directors.

The Company's plans to maintain its bank balances with a range of international and local banks in accordance with limits set by the management.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

Period ended 31 December 2008

19 RISK MANAGEMENT(continued)

Credit risk (continued)

The Company's customers are mainly based in the United Arab Emirates. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	<i>Gross maximum exposure AED</i>
Investment in sukuk	984,601
Contribution receivable	2,513,421
Receivable from related party	1,844,441
Claim Recoverable	260,700
Wakala deposits	79,897,399
Cash and bank balances	1,651,537
Total credit risk exposure	87,152,099

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with takaful contracts and financial liabilities when they fall due.

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

The maturity profile of the liabilities and off balance sheet items analyzed according to when they are expected to be recovered, settled or sold under re-purchase agreement at 30 December 2008 are as follows:

	<i>Less than 3 months AED</i>	<i>3 to 12 months AED</i>	<i>1 to 5 years AED</i>	<i>>5 years AED</i>	<i>Total AED</i>
Liabilities					
Takaful contract liabilities	-	4,960,663	-	-	4,960,663
Other Liabilities	-	380,904	-	79,982	460,886
Total	-	5,341,567	-	79,982	5,421,549
Off-balance sheet items	-	-	879,429	-	879,429

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 Company does not have any other foreign currency balances at the balance sheet date.

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Floating rate instruments expose the Company to cash flow risk. The Company does not have any of these instruments at the balance sheet date.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.