

# **Takaful House PJSC**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 MARCH 2010 (UNAUDITED)**

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

### ***Introduction***

We have reviewed the accompanying interim condensed financial statements of Takaful House PJSC (the “Company”) as at 31 March 2010, comprising of the interim statement of financial position as at 31 March 2010 and the related interim statement of income, interim statement of comprehensive income, statement of changes in equity and cash flows for the period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### ***Scope of Review***

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

### ***Conclusion***

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

### ***Emphasis of matters***

Without qualifying our conclusion, we draw attention to notes 6 and 10 to the interim condensed financial statements:

- As stated in note 10, in accordance with the Company’s policy, the shareholders have funded the comprehensive loss in the participants’ fund through a Qard Hassan (free of finance charge) of AED 38,885,489 with no repayment terms. As at 31 March 2010, Qard Hassan at nominal value of AED 20,346,597 was impaired. The management expects to recover the remaining balance from the future profits attributable to participants.

- As stated in note 6, a participant under a fire takaful contract has filed a law suit against the Company to claim a loss due to a fire in its premises. After a first instance judgement has confirmed the participant's claim and related legal expenses for AED 31 million, the appeal court cancelled this judgement and appointed an expert to examine the fire claim case. For prudence purpose, management has decided to make full provision for the claim amount in the financial statements of the period ended 31 December 2009. In relation to this fire claim, the Company has made a cash call of AED 29.2 million to its retakaful companies representing the retakaful share of loss as per retakaful treaties. This was rejected by retakaful companies based on an exclusion clause, which led the Company and its retakaful companies to action the arbitration clause included in the treaties in order to settle their dispute on the interpretation of this exclusion clause. In the accounts of the period ended 31 December 2009, the Company accounted for the retakaful share of the loss and made a full provision on the retakaful receivables.

*E. Issa*

Signed by:  
Ali Issa  
Partner  
Registration No. 488

Dubai, United Arab Emirates  
9 May 2010

Takaful House PJSC  
**INTERIM STATEMENT OF INCOME**  
Period ended 31 March 2010 (Unaudited)

|                                                          |    | <b>31 March<br/>2010<br/>AED</b> | <b>31 March<br/>2009<br/>AED</b> |
|----------------------------------------------------------|----|----------------------------------|----------------------------------|
| <b>ATTRIBUTABLE TO PARTICIPANTS</b>                      |    |                                  |                                  |
| Contributions earned                                     |    | <b>4,103,270</b>                 | 2,082,182                        |
| Contributions ceded to retakaful                         |    | <b>(414,171)</b>                 | (297,380)                        |
| Net contributions revenue                                |    | <b>3,689,099</b>                 | 1,784,802                        |
| Commission received on ceded contributions               |    | <b>103,222</b>                   | 57,295                           |
| Policy and survey fees                                   |    | <b>55,900</b>                    | 39,105                           |
|                                                          |    | <b>3,848,221</b>                 | 1,881,202                        |
| <b>UNDERWRITING EXPENSES</b>                             |    |                                  |                                  |
| Claims                                                   | 6  | <b>(3,112,367)</b>               | (1,250,693)                      |
| Commission paid                                          |    | <b>(769,380)</b>                 | (751,278)                        |
| Excess of loss retakaful                                 |    | <b>(522,711)</b>                 | (77,850)                         |
| <b>NET UNDERWRITING LOSS</b>                             |    | <b>(556,237)</b>                 | (198,619)                        |
| Wakala fees                                              |    | <b>(1,044,524)</b>               | (840,358)                        |
| Expenses allocated to participants                       |    | <b>(196,336)</b>                 | (96,698)                         |
| <b>NET LOSS FROM TAKAFUL OPERATIONS</b>                  |    | <b>(1,797,097)</b>               | (1,135,675)                      |
| Investment income                                        | 4  | <b>34,510</b>                    | 23,806                           |
| Mudarib's share                                          |    | <b>(3,018)</b>                   | -                                |
| <b>LOSS FOR THE PERIOD ATTRIBUTABLE TO PARTICIPANTS</b>  | 3  | <b>(1,765,605)</b>               | (1,111,869)                      |
| <b>ATTRIBUTABLE TO SHAREHOLDERS</b>                      |    |                                  |                                  |
| <b>INCOME</b>                                            |    |                                  |                                  |
| Wakala fees from participants                            |    | <b>1,044,524</b>                 | 840,358                          |
| Mudarib's share                                          |    | <b>3,018</b>                     | -                                |
| Investment income                                        | 4  | <b>710,073</b>                   | 1,083,674                        |
|                                                          |    | <b>1,757,615</b>                 | 1,924,032                        |
| <b>EXPENSES</b>                                          |    |                                  |                                  |
| General and administrative expenses                      |    | <b>(2,370,225)</b>               | (1,553,868)                      |
| <b>(LOSS) / PROFIT FOR THE PERIOD BEFORE QARD HASSAN</b> |    | <b>(612,610)</b>                 | 370,164                          |
| Provision against Qard Hassan to participants            | 10 | <b>(1,809,805)</b>               | (1,106,047)                      |
| <b>LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>  |    | <b>(2,422,415)</b>               | (735,883)                        |
| Basic and diluted earnings per share                     |    | <b>(0.024)</b>                   | (0.007)                          |

The attached notes 1 to 14 form part of these financial statements.

Takaful House PJSC

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2010 (unaudited)

|                                                                             | <i>Notes</i> | <i>31 March<br/>2010<br/>AED</i> | <i>31 March<br/>2009<br/>AED</i> |
|-----------------------------------------------------------------------------|--------------|----------------------------------|----------------------------------|
| <b>ATTRIBUTABLE TO PARTICIPANTS</b>                                         |              |                                  |                                  |
| Loss for the period                                                         |              | <u>(1,765,605)</u>               | <u>(1,111,869)</u>               |
| <b>Other comprehensive loss</b>                                             |              |                                  |                                  |
| Unrealised (loss) / gain on available-for-sale-investments                  | 4            | <u>(44,200)</u>                  | <u>5,822</u>                     |
| <b>Other comprehensive (loss) / gain for the period</b>                     |              | <u>(44,200)</u>                  | <u>5,822</u>                     |
| <b>Total comprehensive loss for the period attributable to participants</b> | 3            | <u><u>(1,809,805)</u></u>        | <u><u>(1,106,047)</u></u>        |
| <b>ATTRIBUTABLE TO SHAREHOLDERS</b>                                         |              |                                  |                                  |
| Loss for the period                                                         |              | <u>(2,422,415)</u>               | <u>(735,883)</u>                 |
| <b>Other comprehensive loss</b>                                             |              |                                  |                                  |
| Unrealised loss on available-for-sale-investments                           | 4            | <u>(57,094)</u>                  | <u>-</u>                         |
| <b>Other comprehensive loss for the period</b>                              |              | <u>(57,094)</u>                  | <u>-</u>                         |
| <b>Total comprehensive loss for the period attributable to shareholders</b> | 3            | <u><u>(2,479,509)</u></u>        | <u><u>(735,883)</u></u>          |

The attached notes 1 to 14 form part of these financial statements.

# Takaful House PJSC

## INTERIM STATEMENT OF FINANCIAL POSITION

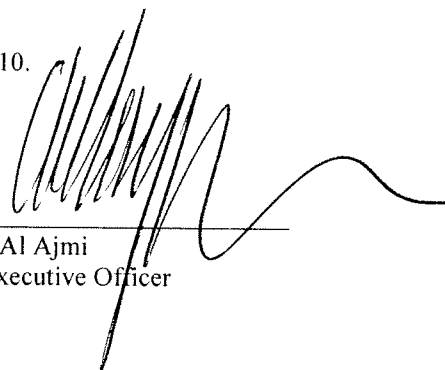
At 31 March 2010

|                                                           | Notes | 31 March<br>2010<br>AED<br>(Unaudited) | 31 December<br>2009<br>AED<br>(Audited) |
|-----------------------------------------------------------|-------|----------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                             |       |                                        |                                         |
| Property and equipment                                    |       | 12,105,889                             | 12,262,721                              |
| Intangible assets                                         |       | 1,208,960                              | 1,242,850                               |
| Investment securities                                     | 7     | 4,912,494                              | 5,164,588                               |
| Participants' fund assets                                 | 11    | 11,848,689                             | 10,322,313                              |
| Prepayments and other receivables                         |       | 8,283,108                              | 7,046,851                               |
| Wakala deposits                                           |       | 71,965,012                             | 71,558,338                              |
| Cash and bank balances                                    | 8     | 928,258                                | 1,200,401                               |
| <b>TOTAL ASSETS</b>                                       |       | <b>111,252,410</b>                     | <b>108,798,062</b>                      |
| <b>EQUITY, PARTICIPANT FUND AND LIABILITIES</b>           |       |                                        |                                         |
| <b>Shareholders' Equity</b>                               |       |                                        |                                         |
| Share capital                                             | 9     | 100,000,000                            | 100,000,000                             |
| Accumulated losses                                        |       | (23,637,924)                           | (21,158,415)                            |
| <b>Total shareholders' equity</b>                         |       | <b>76,362,076</b>                      | <b>78,841,585</b>                       |
| <b>Participants' fund</b>                                 |       |                                        |                                         |
| Qard Hassan against deficit in participants' fund         | 10    | (38,885,489)                           | (37,075,684)                            |
| Less: Provision against Qard Hassan to participants' fund | 10    | 20,346,597                             | 18,536,792                              |
| <b>Deficit in participants' fund</b>                      | 10    | <b>(18,538,892)</b>                    | <b>(18,538,892)</b>                     |
| <b>Liabilities</b>                                        |       |                                        |                                         |
| Participants' fund liabilities                            | 11    | 50,734,178                             | 47,397,997                              |
| Other liabilities                                         |       | 2,695,048                              | 1,097,372                               |
| <b>Total liabilities</b>                                  |       | <b>53,429,226</b>                      | <b>48,495,369</b>                       |
| <b>TOTAL EQUITY, PARTICIPANTS' FUND AND LIABILITIES</b>   |       | <b>111,252,410</b>                     | <b>108,798,062</b>                      |

The financial statements were authorised for issue by the directors on 9 May 2010.



Mohamed Ali Al-Neaimi  
Chairman



Ayman Al Ajmi  
Chief Executive Officer

The attached notes 1 to 14 form part of these financial statements.

Takaful House PJSC

INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2010

|                                             | <i>Share<br/>capital<br/>AED</i> | <i>Accumulated<br/>losses<br/>AED</i> | <i>Total<br/>AED</i> |
|---------------------------------------------|----------------------------------|---------------------------------------|----------------------|
| Balance at 1 January 2010                   | 100,000,000                      | (21,158,415)                          | 78,841,585           |
| Loss for the period                         | -                                | (2,422,415)                           | (2,422,415)          |
| Other comprehensive loss for the period     | -                                | (57,094)                              | (57,094)             |
| Total comprehensive loss for the period     | -                                | (2,479,509)                           | (2,479,509)          |
| <b>Balance at 31 March 2010 (Unaudited)</b> | <b>100,000,000</b>               | <b>(23,637,924)</b>                   | <b>76,362,076</b>    |
| Balance at 1 January 2009                   | 100,000,000                      | (3,383,113)                           | 96,616,887           |
| Loss for the period                         | -                                | (735,883)                             | (735,883)            |
| Other comprehensive loss for the period     | -                                | -                                     | -                    |
| Total comprehensive loss for the period     | -                                | (735,883)                             | (735,883)            |
| Balance at 31 March 2009 (Unaudited)        | 100,000,000                      | (4,118,996)                           | 95,881,004           |

The attached notes 1 to 14 form part of these financial statements.

Takaful House PJSC

INTERIM STATEMENT OF CASH FLOWS

Period ended 31 March 2010 (Unaudited)

|                                                                   | <i>Notes</i> | <b>31 March<br/>2010<br/>AED</b> | <b>31 March<br/>2009<br/>AED</b> |
|-------------------------------------------------------------------|--------------|----------------------------------|----------------------------------|
| <b>OPERATING ACTIVITIES</b>                                       |              |                                  |                                  |
| Loss for the period                                               |              | (2,422,415)                      | (735,883)                        |
| Adjustments for:                                                  |              |                                  |                                  |
| Depreciation                                                      |              | 265,529                          | 124,006                          |
| Amortization                                                      |              | 133,760                          | -                                |
| Changes in the fair value of financial assets                     |              |                                  |                                  |
| at fair value through profit or loss                              | 4            | 190,670                          | 144,329                          |
| Changes in fair value of available-for-sale financial assets      | 4            | 44,200                           | (5,822)                          |
| Gain on sale of trading securities                                | 4            | -                                | (278,684)                        |
| Income from Wakala deposits                                       | 4            | (935,253)                        | (973,125)                        |
| Provision against Qard Hassan to Participants' fund               | 10           | 1,809,805                        | 1,106,047                        |
| Provision for leave salary                                        |              | 53,368                           | -                                |
| Provision for employees' end of service benefits                  |              | 35,961                           | 34,079                           |
|                                                                   |              | <b>(824,375)</b>                 | <b>(585,053)</b>                 |
| Changes in operating assets and liabilities:                      |              |                                  |                                  |
| Qard Hassan to participants' fund                                 | 10           | (1,809,805)                      | (1,106,047)                      |
| Takaful receivables                                               |              | (1,545,519)                      | (2,112,613)                      |
| Prepayments and other receivables                                 |              | (336,200)                        | (1,456,794)                      |
| Takaful contract liabilities                                      |              | 1,680,452                        | 4,532,664                        |
| Takaful payables                                                  |              | 748,936                          | (191,204)                        |
| Other liabilities                                                 |              | 1,508,347                        | 591,922                          |
| Net cash used in operating activities                             |              | <b>(578,164)</b>                 | <b>(327,125)</b>                 |
| <b>INVESTING ACTIVITIES</b>                                       |              |                                  |                                  |
| Purchase of property and equipment                                |              | (108,697)                        | (1,428,547)                      |
| Acquisition of intangible assets                                  |              | (99,871)                         | -                                |
| Purchase of financial assets at fair value through profit or loss |              | -                                | (2,107,876)                      |
| Proceeds from sale of trading securities                          |              | -                                | 1,752,746                        |
| Wakala deposits encashed during the period                        |              | 497,418                          | 4,874,097                        |
| Net cash from investing activities                                |              | <b>288,850</b>                   | <b>3,090,420</b>                 |
| <b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>           |              | <b>(289,314)</b>                 | <b>2,763,295</b>                 |
| Cash and cash equivalent at 1 January                             |              | <b>2,302,274</b>                 | <b>1,651,537</b>                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>         |              | <b>2,012,960</b>                 | <b>4,414,832</b>                 |

The attached notes 1 to 14 form part of these financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**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 UAE Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles 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, engineering and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities.

**2 ACCOUNTING POLICIES**

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's financial statements as of 31 December 2009. In addition, results for the 3 months ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The articles of association of the Company require that separate accounts be maintained for takaful operations on behalf of the policyholders. Accordingly, the directors have resolved to present the financial statements on that basis and comply with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

**Changes in accounting policies**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the financial statements for the period ended 31 December 2009.

**3 SEGMENTAL INFORMATION**

**Primary segment information**

For management purposes the Company is organised into two business segments, takaful fund management and investment. The general takaful segment comprises the takaful business undertaken by the Company. Investments comprise investment and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakala fees and Mudarib's share, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

Takaful House PJSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

Three months ended 31 March 2010

|                                                | Notes | <i>Takaful<br/>fund<br/>management<br/>AED</i> | <i>Investment<br/>AED</i> | <i>Total<br/>AED</i> |
|------------------------------------------------|-------|------------------------------------------------|---------------------------|----------------------|
| Contributions earned                           |       | 4,103,270                                      | -                         | 4,103,270            |
| Contributions ceded to retakaful               |       | (414,171)                                      | -                         | (414,171)            |
| Net contribution revenue                       |       | 3,689,099                                      | -                         | 3,689,099            |
| Claims                                         | 6     | (3,112,367)                                    | -                         | (3,112,367)          |
| Net underwriting expenses                      |       | (1,132,969)                                    | -                         | (1,132,969)          |
| Net underwriting loss                          |       | (556,237)                                      | -                         | (556,237)            |
| General and administrative expenses            |       | (196,336)                                      | (2,370,225)               | (2,566,561)          |
| Wakala (fees) / income                         |       | (1,044,524)                                    | 1,044,524                 | -                    |
| Mudarib's share                                |       | (3,018)                                        | 3,018                     | -                    |
| Investment income                              | 4     | 34,510                                         | 710,073                   | 744,583              |
| <b>Loss for the period</b>                     |       | <b>(1,765,605)</b>                             | <b>(612,610)</b>          | <b>(2,378,215)</b>   |
| Other comprehensive loss                       | 4     | (44,200)                                       | (57,094)                  | (101,294)            |
| <b>Total comprehensive loss for the period</b> |       | <b>(1,809,805)</b>                             | <b>(669,704)</b>          | <b>(2,479,509)</b>   |

|                                                           |       |                                                |                           |                      |
|-----------------------------------------------------------|-------|------------------------------------------------|---------------------------|----------------------|
| Three months ended 31 March 2009                          |       | <i>Takaful<br/>fund<br/>management<br/>AED</i> | <i>Investment<br/>AED</i> | <i>Total<br/>AED</i> |
|                                                           | Notes |                                                |                           |                      |
| Contributions earned                                      |       | 2,082,182                                      | -                         | 2,082,182            |
| Contributions ceded to retakaful                          |       | (297,380)                                      | -                         | (297,380)            |
| Net contribution revenue                                  |       | 1,784,802                                      | -                         | 1,784,802            |
| Claims                                                    | 6     | (1,250,693)                                    | -                         | (1,250,693)          |
| Net underwriting expenses                                 |       | (732,728)                                      | -                         | (732,728)            |
| Net underwriting loss                                     |       | (198,619)                                      | -                         | (198,619)            |
| General and administrative expenses                       |       | (96,698)                                       | (1,553,868)               | (1,650,566)          |
| Net other income                                          | 4     | -                                              | 278,684                   | 278,684              |
| Wakala (fees) / income                                    |       | (840,358)                                      | 840,358                   | -                    |
| Investment income                                         |       | 23,806                                         | 804,990                   | 828,796              |
| (Loss) / profit for the period                            |       | (1,111,869)                                    | 370,164                   | (741,705)            |
| Other comprehensive income                                | 4     | 5,822                                          | -                         | 5,822                |
| <b>Total comprehensive (loss) / income for the period</b> |       | <b>(1,106,047)</b>                             | <b>370,164</b>            | <b>(735,883)</b>     |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**3 SEGMENTAL INFORMATION (continued)**

The following tables demonstrate other information related to each business segments:

**31 March 2010**

|                   | <i>Takaful<br/>fund<br/>AED</i> | <i>Investment<br/>AED</i> | <i>Total<br/>AED</i> |
|-------------------|---------------------------------|---------------------------|----------------------|
| Total assets      | <b>11,848,689</b>               | <b>99,403,721</b>         | <b>111,252,410</b>   |
| Total liabilities | <b>50,734,178</b>               | <b>2,695,048</b>          | <b>53,429,226</b>    |

**31 December 2009**

|                   | <i>Takaful<br/>fund<br/>AED</i> | <i>Investment<br/>AED</i> | <i>Total<br/>AED</i> |
|-------------------|---------------------------------|---------------------------|----------------------|
| Total assets      | 10,322,313                      | 98,475,749                | 108,798,062          |
| Total liabilities | 47,397,997                      | 1,097,372                 | 48,495,369           |

**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.

**4 INVESTMENT INCOME**

|                                                                                      | <b>31 March 2010</b>       |                            |                      |
|--------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------|
|                                                                                      | <i>Participant<br/>AED</i> | <i>Shareholder<br/>AED</i> | <i>Total<br/>AED</i> |
| <b>Fair value gain / (loss)</b>                                                      |                            |                            |                      |
| Financial assets at fair value through profit or loss account                        | 4,330                      | (195,000)                  | <b>(190,670)</b>     |
| Available-for-sale financial assets                                                  | (44,200)                   | (57,094)                   | <b>(101,294)</b>     |
| <b>Other investment income</b>                                                       |                            |                            |                      |
| Income from Wakala deposits                                                          | 30,180                     | 905,073                    | <b>935,253</b>       |
| Net investment (loss) / income                                                       | (9,690)                    | 652,979                    | <b>643,289</b>       |
| Loss on available-for-sale securities taken to the statement of comprehensive income | 44,200                     | 57,094                     | <b>101,294</b>       |
| <b>Investment income through profit or loss</b>                                      | <b>34,510</b>              | <b>710,073</b>             | <b>744,583</b>       |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**4 INVESTMENT INCOME (continued)**

|                                                                                      | <i>31 March 2009</i>       |                            |                      |
|--------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------|
|                                                                                      | <i>Participant<br/>AED</i> | <i>Shareholder<br/>AED</i> | <i>Total<br/>AED</i> |
| <b>Fair value (loss) / gain</b>                                                      |                            |                            |                      |
| Financial assets at fair value through profit or loss account                        | 5,700                      | (150,029)                  | (144,329)            |
| Available-for-sale financial assets                                                  | 5,822                      | -                          | 5,822                |
| <b>Realised gain / (loss)</b>                                                        |                            |                            |                      |
| Sale of trading of securities                                                        | -                          | 278,684                    | 278,684              |
| <b>Other investment income</b>                                                       |                            |                            |                      |
| Income from Wakala deposits                                                          | 18,106                     | 955,019                    | 973,125              |
| Net investment (loss) / income                                                       | 29,628                     | 1,083,674                  | 1,113,302            |
| Gain on available-for-sale securities taken to the statement of comprehensive income | (5,822)                    | -                          | (5,822)              |
| <b>Investment income through profit or loss</b>                                      | <u>23,806</u>              | <u>1,083,674</u>           | <u>1,107,480</u>     |

Investment income has been allocated to the shareholders and participants on the basis of investments held by each fund.

**5 BASIC AND DILUTED LOSS PER SHARE**

Loss per share is calculated by dividing the net result for the period by the weighted average number of shares outstanding during the period as follows:

|                                                                 | <i>31 March<br/>2010<br/>AED</i> | <i>31 March<br/>2009<br/>AED</i> |
|-----------------------------------------------------------------|----------------------------------|----------------------------------|
| Net loss for the period                                         | <u>(2,422,415)</u>               | <u>(735,883)</u>                 |
| Weighted average number of shares outstanding during the period | <u>100,000,000</u>               | <u>100,000,000</u>               |
| Basic and diluted earnings per share (AED)                      | <u>(0.024)</u>                   | <u>(0.007)</u>                   |

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

## 6 CLAIMS

|                                             | <b>31 March<br/>2010<br/>AED</b> | <b>31 March<br/>2009<br/>AED</b> |
|---------------------------------------------|----------------------------------|----------------------------------|
| Takaful claims paid                         | 2,841,441                        | 366,400                          |
| Changes in provision for outstanding claims | 270,926                          | 884,293                          |
|                                             | <b><u>3,112,367</u></b>          | <b><u>1,250,693</u></b>          |

A participant under a fire takaful contract has filed a law suit against the Company to claim a loss due to a fire in its premises. After a first instance judgement confirmed the participant's claim and related legal expenses for AED 31 million, the appeal court cancelled this judgement and appointed an expert to examine the fire claim case. For prudence purpose, management has decided to make full provision for the claim amount in the financial statements of the period ended 31 December 2009.

In relation to this fire claim, the Company has made a cash call of AED 29.2 million to its retakaful companies representing the retakaful share of loss as per retakaful treaties. This was rejected by retakaful companies based on an exclusion clause, which led the Company and its retakaful companies to action the arbitration clause included in the treaties in order to settle their dispute on the interpretation of this exclusion clause. In the accounts of the period ended 31 December 2009, the Company accounted for the retakaful share of the loss and made a full provision on the retakaful receivables.

## 7 FINANCIAL INSTRUMENTS

|                                                       | <b>31 March 2010</b>              |                               | <b>31 December 2009</b>           |                                     |
|-------------------------------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------------|
|                                                       | <b>Carrying<br/>Value<br/>AED</b> | <b>Fair<br/>Value<br/>AED</b> | <b>Carrying<br/>Value<br/>AED</b> | <b>Fair<br/>Value<br/>AED</b>       |
| Financial assets at fair value through profit or loss | 4,153,600                         | 4,153,600                     | 4,344,270                         | 4,344,270                           |
| Available-for-sale financial assets                   | 1,105,294                         | 1,105,294                     | 1,206,588                         | 1,206,588                           |
|                                                       | <b><u>5,258,894</u></b>           | <b><u>5,258,894</u></b>       | <b><u>5,550,858</u></b>           | <b><u>5,550,858</u></b>             |
|                                                       |                                   |                               | <b>31 March<br/>2010<br/>AED</b>  | <b>31 December<br/>2009<br/>AED</b> |
| Attributable to:                                      |                                   |                               |                                   |                                     |
| Shareholders                                          |                                   |                               | 4,912,494                         | 5,164,588                           |
| Participants (Note 11)                                |                                   |                               | 346,400                           | 386,270                             |
|                                                       |                                   |                               | <b><u>5,258,894</u></b>           | <b><u>5,550,858</u></b>             |

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial instruments recorded at fair value by the Company are classified in level 1 hierarchy position.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**8 CASH AND BANK BALANCES**

|                         | <i>31 March<br/>2010<br/>AED</i> | <i>31 December<br/>2009<br/>AED</i> |
|-------------------------|----------------------------------|-------------------------------------|
| Cash <b>5,654</b>       | 3,967                            |                                     |
| Bank balances           | <b>2,007,306</b>                 | 2,298,307                           |
| <b>2,012,960</b>        | <u>2,302,274</u>                 | <u></u>                             |
| <i>Attributable to:</i> |                                  |                                     |
| Shareholders            | <b>928,258</b>                   | 1,200,401                           |
| Participants (Note 11)  | <b>1,084,702</b>                 | 1,101,873                           |
|                         | <u><b>2,012,960</b></u>          | <u>2,302,274</u>                    |

**9 SHARE CAPITAL**

|                                          | <i>31 March<br/>2010<br/>AED</i> | <i>31 March<br/>2009<br/>AED</i> |
|------------------------------------------|----------------------------------|----------------------------------|
| <i>Authorised, issued and fully paid</i> |                                  |                                  |
| 100,000,000 shares of AED 1 each         | <u><b>100,000,000</b></u>        | <u>100,000,000</u>               |

**10 DEFICIT IN PARTICIPANTS' FUND**

|                                                           | <i>31 March<br/>2010<br/>AED</i> | <i>31 December<br/>2009<br/>AED</i> |
|-----------------------------------------------------------|----------------------------------|-------------------------------------|
| Qard Hassan against deficit in participants' fund         | <b>38,885,489</b>                | 37,075,684                          |
| Less: Provision against Qard Hassan to participants' fund | <b>(20,346,597)</b>              | (18,536,792)                        |
| Net deficit in participants' fund                         | <u><b>18,538,892</b></u>         | <u>18,538,892</u>                   |

The shareholders have funded the deficit in the participants' fund in accordance with the Company's policy through a Qard Hassan of AED 38,885,489 with no repayment terms. As at 31 march 2010, Qard Hassan at nominal value of AED 20,346,597 was impaired. Movements in the allowance for impairment during the period was as follows:

|                                | <i>31 March<br/>2010<br/>AED</i> | <i>31 December<br/>2009<br/>AED</i> |
|--------------------------------|----------------------------------|-------------------------------------|
| At the beginning of the period | <b>18,536,792</b>                | -                                   |
| Charge for the period          | <b>1,809,805</b>                 | 18,536,792                          |
| At the end of the period       | <u><b>20,346,597</b></u>         | <u>18,536,792</u>                   |

The management expects to recover the remaining balance from the future profits attributable to participants.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**11 PARTICIPANTS' FUND ASSETS AND LIABILITIES**

|                                  |              | <b>31 March<br/>2010<br/>AED</b> | <b>31 December<br/>2009<br/>AED</b> |
|----------------------------------|--------------|----------------------------------|-------------------------------------|
|                                  | <i>Notes</i> |                                  |                                     |
| <b>ASSETS</b>                    |              |                                  |                                     |
| Investment securities            | 7            | 346,400                          | 386,270                             |
| Takaful receivables              |              | 6,652,001                        | 5,106,481                           |
| Prepayments and other assets     |              | 106,954                          | 100,218                             |
| Wakala deposits                  |              | 3,658,632                        | 3,627,471                           |
| Cash and bank balances           | 8            | 1,084,702                        | 1,101,873                           |
| <b>TOTAL ASSETS</b>              |              | <b>11,848,689</b>                | <b>10,322,313</b>                   |
| Takaful contract liabilities     |              | (43,968,089)                     | (42,287,637)                        |
| Takaful payables                 |              | (2,312,910)                      | (1,563,974)                         |
| Expenses payable to Shareholders |              | (4,453,179)                      | (3,546,386)                         |
| <b>TOTAL LIABILITIES</b>         |              | <b>(50,734,178)</b>              | <b>(47,397,997)</b>                 |
| Net deficit for the period       |              | <b>38,885,489</b>                | <b>37,075,684</b>                   |

**12 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 statement of financial position are as follows:

|                                 | <b>31 March<br/>2010<br/>AED</b> | <b>31 December<br/>2009<br/>AED</b> |
|---------------------------------|----------------------------------|-------------------------------------|
| <i>Shareholders</i>             |                                  |                                     |
| Mawarid Finance PJSC            | 75,623,709                       | 75,185,809                          |
| <i>Due from related parties</i> |                                  |                                     |
| Al Jazeera Financial Services   | 2,628,036                        | 2,628,036                           |
| <i>Due to a related party</i>   |                                  |                                     |
| Mawarid Finance PJSC            | 673,048                          | 350,000                             |

**b) Transactions with related parties**

Transactions with related parties included in the income statement are as follows:

|                                    | <b>31 March<br/>2010<br/>AED</b> | <b>31 March<br/>2009<br/>AED</b> |
|------------------------------------|----------------------------------|----------------------------------|
| <i>Income from wakala deposits</i> |                                  |                                  |
| <i>Major Shareholders</i>          |                                  |                                  |
| Mawarid Finance PJSC               | 935,253                          | 973,125                          |
| <i>Contributions earned</i>        |                                  |                                  |
| <i>Major Shareholders</i>          | 16,536                           | -                                |
| <i>Management charges paid</i>     |                                  |                                  |
| <i>Major Shareholders</i>          |                                  |                                  |
| Mawarid Finance PJSC               | 150,000                          | 150,000                          |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

**12 RELATED PARTY TRANSACTIONS (continued)****c) Compensation of key management personnel**

|                                    | <i><b>31 March<br/>2010<br/>AED</b></i> | <i><b>31 March<br/>2009<br/>AED</b></i> |
|------------------------------------|-----------------------------------------|-----------------------------------------|
| Short-term benefits                | <b>476,055</b>                          | 150,000                                 |
| Employees' end of service benefits | <b>11,294</b>                           | 34,097                                  |
|                                    | <b>487,349</b>                          | 184,097                                 |

**13 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.

**14 COMMITMENTS**

The company has the following capital expenditure commitment at the reporting date:

|                                 | <i><b>31 March<br/>2010<br/>AED</b></i> | <i><b>31 December<br/>2009<br/>AED</b></i> |
|---------------------------------|-----------------------------------------|--------------------------------------------|
| Development of new software     | <b>72,500</b>                           | 85,000                                     |
| Decoration of new branch office | <b>193,637</b>                          | 285,000                                    |
|                                 | <b>266,137</b>                          | 370,000                                    |