

**Dar Al Takaful PJSC *(formerly
Takaful House PJSC)***

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

30 September 2011 (UNAUDITED)

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DAR AL TAKAFUL PJSC (formerly Takaful House PJSC)

Introduction

We have reviewed the accompanying interim condensed financial statements of Dar Al Takaful PJSC (the "Company") (formerly *Takaful House PJSC*) as at 30 September 2011, comprising of the interim statement of financial position as at 30 September 2011 and the related interim statement of income, statement of comprehensive income for the three-month and nine-month periods then ended, statement of changes in equity and cash flows for the nine month period then ended and selective 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

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

We draw attention to note 10 to the financial statements relating to the assessment of the recoverable amount of Qard Hassan (loan free of finance charge with no repayment terms) of AED 43,753,188.

Our opinion is not qualified for this matter.

Signed by:



Ali Issa
Partner
Registration No. 488

Dubai, United Arab Emirates
26 October, 2011

Dar Al Takaful PJSC

INTERIM STATEMENT OF INCOME

For the nine months ended 30 September 2011 (Unaudited)

		<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>Notes</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
ATTRIBUTABLE TO PARTICIPANTS					
Gross contributions written		4,313,984	8,672,914	28,066,576	35,487,719
Change in unearned contributions		5,353,123	30,110	3,311,439	(13,674,607)
Contributions earned		9,667,107	8,703,024	31,378,015	21,813,112
Contributions ceded to retakaful		(1,898,217)	(1,090,994)	(4,937,750)	(4,363,050)
Net contributions revenue		7,768,890	7,612,030	26,440,265	17,450,062
Commission received on ceded contributions		283,977	314,856	881,831	640,426
Policy and survey fees		41,377	183,150	199,279	307,425
		8,094,244	8,110,036	27,521,375	18,397,913
UNDERWRITING EXPENSES					
Claims incurred	6	(6,733,418)	(6,990,336)	(23,133,108)	(14,727,819)
Retakaful share of claims incurred	6	2,466,494	-	5,025,967	-
Policy acquisition cost		(823,728)	(1,598,686)	(3,188,898)	(3,780,869)
Excess of loss retakaful		(281,562)	(479,595)	(844,688)	(1,993,919)
NET UNDERWRITING INCOME / (LOSS)		2,722,030	(958,581)	5,380,648	(2,104,694)
Wakala fees paid to shareholders		(1,807,279)	(1,885,634)	(6,665,536)	(4,703,608)
Expenses allocated to participants		(952,850)	(46,537)	(1,169,888)	(642,384)
NET LOSS FROM TAKAFUL OPERATIONS		(38,099)	(2,890,752)	(2,454,776)	(7,450,686)
Investment (loss) / income	4	(1,459)	46,282	2,231	126,630
Mudarib's share		(454)	(2,948)	(6,385)	(12,186)
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO PARTICIPANTS	3	(40,012)	(2,847,418)	(2,458,930)	(7,336,242)
ATTRIBUTABLE TO SHAREHOLDERS					
INCOME					
Wakala fees from participants		1,807,279	1,885,634	6,665,536	4,703,608
Mudarib's share		454	2,949	6,385	12,186
Investment (loss) / income	4	(126,256)	1,459,965	(459,379)	1,213,751
		1,681,477	3,348,548	6,212,542	5,929,545
EXPENSES					
General and administrative expenses		(4,470,336)	(2,912,732)	(14,790,390)	(8,057,439)
(LOSS) / PROFIT FOR THE PERIOD BEFORE QARD HASSAN		(2,788,859)	435,816	(8,577,848)	(2,127,894)
Provision against Qard Hassan to participants		(76,412)	(2,847,418)	(2,487,530)	(7,492,242)
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO SHAREHOLDERS		(2,865,271)	(2,411,602)	(11,065,378)	(9,620,136)
Basic and diluted loss per share	5	(0.029)	(0.024)	(0.111)	(0.096)

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dar Al Takaful PJSC

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011 (unaudited)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2011 AED	2010 AED	2011 AED	2010 AED
ATTRIBUTABLE TO PARTICIPANTS					
Loss for the period		(40,012)	(2,847,418)	(2,458,930)	(7,336,242)
Other comprehensive loss					
Unrealized loss on available-for-sale investments	4	(36,400)	-	(28,600)	(156,000)
Other comprehensive loss for the period		(36,400)	-	(28,600)	(156,000)
Total comprehensive loss for the period attributable to participants	3	(76,412)	(2,847,418)	(2,487,530)	(7,492,242)
ATTRIBUTABLE TO SHAREHOLDERS					
Loss for the period		(2,865,271)	(2,411,602)	(11,065,378)	(9,620,136)
Other comprehensive income / loss					
Unrealized (loss) / gain on available-for-sale-investments	4	(37,176)	40,653	(21,194)	(273,964)
Other comprehensive (loss) / gain for the period		(37,176)	40,653	(21,194)	(273,964)
Total comprehensive loss for the period attributable to shareholders	3	(2,902,447)	(2,370,949)	(11,086,572)	(9,894,100)

The attached notes 1 to 15 form part of these interim condensed financial statements.

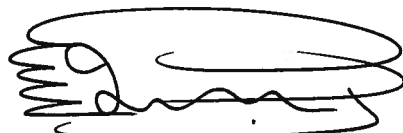
Dar Al Takaful PJSC

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2011 (Unaudited)

	Notes	30 September 2011 AED (Unaudited)	31 December 2010 AED (Audited)
ASSETS			
Property and equipment		11,861,062	12,321,487
Intangible assets		466,661	872,676
Restricted deposits		6,000,000	6,000,000
Investment securities	7	4,444,654	5,204,845
Participants' fund assets	11	31,264,563	28,282,260
Prepayments and other receivables		2,573,592	1,842,611
Wakala deposits		28,831,420	37,375,263
Cash and bank balances	8	377,498	48,174
TOTAL ASSETS		85,819,450	91,947,316
EQUITY, PARTICIPANTS' FUND AND OTHER LIABILITIES			
Shareholders' equity			
Share capital	9	100,000,000	100,000,000
Accumulated losses		(41,176,996)	(30,111,618)
Available-for-sale investments reserve		(291,732)	(270,538)
Total shareholders' equity		58,531,272	69,617,844
Participants' fund			
Qard Hassan against deficit in participants' fund	10	(43,753,188)	(41,265,658)
Less: Provision against Qard Hassan to participants' fund	10	25,214,296	22,726,766
Deficit in participants' fund	10	(18,538,892)	(18,538,892)
Liabilities			
Participants' fund liabilities	11	41,220,445	38,004,925
Other liabilities		4,606,625	2,863,439
Total liabilities		45,827,070	40,868,364
TOTAL EQUITY, PARTICIPANTS' FUND AND OTHER LIABILITIES		85,819,450	91,947,316

The financial statements were authorised for issue by the directors on 26 October 2011.



Mohamed Ali Al-Neaimi
Chairman



Saleh Al-Hashimi
Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dar Al Takaful PJSC

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2011 (Unaudited)

	<i>Share capital AED</i>	<i>Accumulated losses AED</i>	<i>Available-for- sale investments reserve AED</i>	<i>Total AED</i>
Balance at 1 January 2011	100,000,000	(30,111,618)	(270,538)	69,617,844
Loss for the period	-	(11,065,378)	-	(11,065,378)
Other comprehensive loss for the period	-	-	(21,194)	(21,194)
Total comprehensive loss for the period	-	(11,065,378)	(21,194)	(11,086,572)
Balance at 30 September 2011	100,000,000	(41,176,996)	(291,732)	58,531,272

	<i>Share capital AED</i>	<i>Accumulated losses AED</i>	<i>Available-for- sale investments reserve AED</i>	<i>Total AED</i>
Balance at 1 January 2010	100,000,000	(21,087,620)	(70,795)	78,841,585
Loss for the period	-	(9,620,136)	-	(9,620,136)
Other comprehensive loss for the period	-	-	(273,964)	(273,964)
Total comprehensive loss for the period	-	(9,620,136)	(273,964)	(9,894,100)
Balance at 30 September 2010	100,000,000	(30,707,756)	(344,759)	68,947,485

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dar Al Takaful PJSC

INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2011 (Unaudited)

		<i>Nine months ended 30 September</i>	
	<i>Notes</i>	<i>2011 AED</i>	<i>2010 AED</i>
OPERATING ACTIVITIES			
Loss for the period		(11,065,378)	(9,620,136)
Adjustments for:			
Depreciation		1,036,419	873,576
Amortization		424,380	416,597
Changes in the fair value of financial assets			
at fair value through profit or loss	4	1,310,650	1,100,430
Changes in fair value of available-for-sale financial assets	4	28,600	156,000
Gain on sale of trading securities	4	82,856	-
Income from Wakala deposits	4	(803,589)	(2,323,780)
Dividend income from securities	4	(122,907)	-
Provision against Qard Hassan to Participants' fund		2,487,530	7,492,242
Provision for leave salary		374,771	150,861
Provision for employees' end of service benefits		312,829	145,259
		(5,933,839)	(1,608,951)
Changes in operating assets and liabilities:			
Qard Hassan to participants' fund		(2,487,530)	(7,492,242)
Takaful receivables		(7,017,287)	(16,112,150)
Prepayments and other receivables		(1,750,913)	2,094,843
Takaful contract liabilities		2,238,692	21,645,621
Takaful payables		976,828	2,874,021
Other liabilities		1,535,580	1,466,407
Cash (used in) / from operations		(12,438,469)	2,867,549
Leave salary paid		(293,624)	(109,103)
Employee's end of service benefits paid		(186,371)	(76,908)
Net cash (used in) / from operating activities		(12,918,464)	2,681,538
INVESTING ACTIVITIES			
Purchase of property and equipment		(575,994)	(895,408)
Acquisition of intangible assets		(18,365)	(187,024)
Purchase of financial assets at fair value through profit or loss		(1,803,576)	(2,005,510)
Proceeds from sale of trading securities		1,159,598	-
Wakala deposits encashed during the period		23,491,228	504,279
Wakala deposits made during the period		(12,319,937)	(3,510,475)
Profit received on Wakala deposits	4	803,589	2,323,780
Dividend income received from securities	4	122,907	-
Net cash from / (used in) investing activities		10,859,450	(3,770,358)
DECREASE IN CASH AND CASH EQUIVALENTS			
		(2,059,014)	(1,088,820)
Cash and cash equivalent at 1 January		2,602,131	2,302,274
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	543,117	1,213,454

The attached notes 1 to 15 form part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

1 ACTIVITIES

Dar Al Takaful PJSC (formerly, 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 is licensed to carry 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 its takaful operations on 1 September 2008. The Company has not carried any retakaful operations since inception.

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.

From March 2011 the company started to issue short term medical takaful contracts. The contracts cover medical expenses of participants including its own employees.

2 BASIS OF PREPARATION AND 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 2010. In addition, results for the 9 months ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 these interim condensed financial statements are consistent with those used in the preparation of the financial statements for the period ended 31 December 2010. New standards and interpretations effective for the annual periods beginning on or after 1 January 2011 were adopted by the Company but didn’t have an impact on its interim condensed financial statements.

During the period, the Company has modified the basis of calculation of its Wakala fees to exclude any deduction of commissions and acquisition cost from the basis of calculation. Accordingly, wakala fees and net loss for the period attributable to shareholders has respectively increased and decreased by AED 3,188,898. Mudarib’s share has also changed from 10% to 50% which increased the shareholders’ income by AED 5,108.

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

Except for Wakala fees, Mudarib's share and general and administration expenses allocation, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set at 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:

Nine months ended 30 September 2011

	Notes	Takaful fund management AED	Investment AED	Total AED
Gross contributions written		28,066,576	-	28,066,576
Changes in unearned contributions		3,311,439	-	3,311,439
Contributions earned		31,378,015	-	31,378,015
Contributions ceded to retakaful		(4,937,750)	-	(4,937,750)
Net contribution revenue		26,440,265	-	26,440,265
Claims (net of retakaful share)	6	(18,107,141)	-	(18,107,141)
Net underwriting expenses		(2,952,476)	-	(2,952,476)
Net underwriting loss		5,380,648	-	5,380,648
General and administrative expenses		(1,169,888)	(14,790,390)	(15,960,278)
Wakala (fees) / income		(6,665,536)	6,665,536	-
Mudarib's share		(6,385)	6,385	-
Investment income / (loss)	4	2,231	(459,379)	(457,148)
Loss for the period		(2,458,930)	(8,577,848)	(11,036,778)
Other comprehensive loss	4	(28,600)	(21,194)	(49,794)
Total comprehensive loss for the period		(2,487,530)	(8,599,042)	(11,086,572)

Nine months ended 30 September 2010

	Notes	Takaful fund management AED	Investment AED	Total AED
Gross contributions written		35,487,719	-	35,487,719
Changes in unearned contributions		(13,674,607)	-	(13,674,607)
Contributions earned		21,813,112	-	21,813,112
Contributions ceded to retakaful		(4,363,050)	-	(4,363,050)
Net contribution revenue		17,450,062	-	17,450,062
Claims	6	(14,727,819)	-	(14,727,819)
Net underwriting expenses		(4,826,937)	-	(4,826,937)
Net underwriting loss		(2,104,694)	-	(2,104,694)
General and administrative expenses		(642,384)	(8,057,439)	(8,699,823)
Wakala (fees) / income		(4,703,608)	(4,703,608)	-
Mudarib's share		(12,186)	12,186	-
Investment income / (loss)	4	126,630	1,213,751	1,340,381
Loss for the period		(7,336,242)	(2,127,894)	(9,464,136)
Other comprehensive loss	4	(156,000)	(273,964)	(429,964)
Total comprehensive loss for the period		(7,492,242)	(2,401,858)	(9,894,100)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

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

30 September 2011

	<i>Takaful fund AED</i>	<i>Investment AED</i>	<i>Adjustment and eliminations AED</i>	<i>Total AED</i>
Total assets	31,264,563	88,352,193	(33,797,306)	85,819,450
Total liabilities	(75,017,751)	(4,606,625)	33,797,306	(45,827,070)

31 December 2010 (Audited)

	<i>Takaful fund AED</i>	<i>Investment AED</i>	<i>Adjustment and eliminations AED</i>	<i>Total AED</i>
Total assets	28,282,260	95,208,049	(31,542,993)	91,947,316
Total liabilities	(69,547,918)	(2,863,439)	31,542,993	(40,868,364)

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

	<i>Three months ended 30 September 2011</i>			<i>Nine months ended 30 September 2011</i>		
	<i>Participants AED</i>	<i>Shareholders AED</i>	<i>Total AED</i>	<i>Participants AED</i>	<i>Shareholders AED</i>	<i>Total AED</i>
Fair value loss						
Financial assets at fair value through profit or loss account	(2,366)	(234,728)	(237,094)	(10,538)	(1,300,112)	(1,310,650)
Available-for-sale financial assets	(36,400)	(37,176)	(73,576)	(28,600)	(21,194)	(49,794)
Other investment income / (loss)						
Loss on sale of trading securities	-	(105,424)	(105,424)	-	(82,856)	(82,856)
Dividend received	2,907	-	2,907	2,907	120,000	122,907
Income from Wakala deposits	(2,000)	213,896	211,896	9,862	803,589	813,451
Net investment loss	(37,859)	(163,432)	(201,291)	(26,369)	(480,573)	(506,942)
Loss on available-for-sale securities taken to the statement of comprehensive income	36,400	37,176	73,576	28,600	21,194	49,794
Investment (loss) / income through profit and loss	(1,459)	(126,256)	(127,715)	2,231	(459,379)	(457,148)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

4 INVESTMENT INCOME (continued)

	<i>Three months ended 30 September 2010</i>			<i>Nine months ended 30 September 2010</i>		
	<i>Participants AED</i>	<i>Shareholders AED</i>	<i>Total AED</i>	<i>Participants AED</i>	<i>Shareholders AED</i>	<i>Total AED</i>
Fair value gain / (loss)						
Financial assets at fair value through profit or loss account	14,610	797,500	812,110	2,580	(1,103,010)	(1,100,430)
Available-for-sale financial assets	-	40,653	40,653	(156,000)	(273,964)	(429,964)
Other investment income						
Dividend received	-	-	-	-	117,031	117,031
Income from Wakala deposits	31,672	662,465	694,137	124,050	2,199,730	2,323,780
Net investment loss	46,282	1,500,618	1,546,900	(29,370)	939,787	910,417
Loss on available-for-sale securities taken to the statement of comprehensive income	-	(40,653)	(40,653)	156,000	273,964	429,964
Investment (loss) / income through profit and loss	46,282	1,459,965	1,506,247	126,630	1,213,751	1,340,381

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 loss for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011 AED</i>	<i>2010 AED</i>	<i>2011 AED</i>	<i>2010 AED</i>
Net loss for the period	(2,865,271)	(2,411,602)	(11,065,378)	(9,620,136)
Weighted average number of shares outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted loss per share (AED)	(0.029)	(0.024)	(0.111)	(0.096)

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 30 September 2011 (Unaudited)

6 CLAIMS

	<i>Three months ended 30 September 2011</i>			<i>Nine months ended 30 September 2011</i>		
	<i>Gross AED</i>	<i>Retakaful share AED</i>	<i>Net AED</i>	<i>Gross AED</i>	<i>Retakaful share AED</i>	<i>Net AED</i>
Takaful claims paid	4,916,003	(2,740,850)	2,175,153	19,151,879	(3,621,733)	15,530,146
Changes in provision for outstanding claims	1,817,415	274,356	2,091,771	3,981,229	(1,404,234)	2,576,995
Claims recorded in the statement of income	<u>6,733,418</u>	<u>(2,466,494)</u>	<u>4,266,924</u>	<u>23,133,108</u>	<u>(5,025,967)</u>	<u>18,107,141</u>

	<i>Three months ended 30 September 2010</i>			<i>Nine months ended 30 September 2010</i>		
	<i>Gross AED</i>	<i>Retakaful share AED</i>	<i>Net AED</i>	<i>Gross AED</i>	<i>Retakaful share AED</i>	<i>Net AED</i>
Takaful claims paid	(27,233,887)	-	(27,233,887)	(20,815,073)	-	(20,815,073)
Changes in provision for outstanding claims	34,224,223	-	34,224,223	35,542,892	-	35,542,892
Claims recorded in the statement of income	<u>6,990,336</u>	<u>-</u>	<u>6,990,336</u>	<u>14,727,819</u>	<u>-</u>	<u>14,727,819</u>

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. During 2010, the Company paid an amount of AED 30,148,653 to Dubai Courts in execution of a formal injunction dated 16 August 2010 to settle the fire claim amount.

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 enter into an arbitration process in order to settle their dispute on the interpretation of this exclusion clause. In the financial statements of the prior 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

	<i>30 September 2011</i>		<i>31 December 2010 (Audited)</i>	
	<i>Carrying value AED</i>	<i>Fair value AED</i>	<i>Carrying value AED</i>	<i>Fair value AED</i>
Financial assets at fair value through profit or loss	3,832,580	3,832,580	4,582,118	4,582,118
Available-for-sale financial assets	837,454	837,454	887,245	887,245
	<u>4,670,034</u>	<u>4,670,034</u>	<u>5,469,363</u>	<u>5,469,363</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

7 FINANCIAL INSTRUMENTS (continued)

	30 September 2011 AED	31 December 2010 AED (Audited)
<i>Attributable to:</i>		
Shareholders	4,444,654	5,204,845
Participants (Note 11)	225,380	264,518
	<u>4,670,034</u>	<u>5,469,363</u>

All investments of the Company are managed within UAE. 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 as level 1.

8 CASH AND BANK BALANCES

	30 September 2011 AED	31 December 2010 AED (Audited)
Cash	98,412	6,376
Bank balances	444,705	2,595,755
	<u>543,117</u>	<u>2,602,131</u>
<i>Attributable to:</i>		
Shareholders	377,498	48,174
Participants (Note 11)	165,619	2,553,957
	<u>543,117</u>	<u>2,602,131</u>

9 SHARE CAPITAL

	30 September 2011 AED	31 December 2010 AED (Audited)
<i>Authorised, issued and fully paid</i>		
100,000,000 shares of AED 1 each	<u>100,000,000</u>	<u>100,000,000</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

10 DEFICIT IN PARTICIPANTS' FUND

	30 September 2011 AED	31 December 2010 AED (Audited)
Qard Hassan against deficit in participants' fund	43,753,188	41,265,658
Less: Provision against Qard Hassan to participants' fund	(25,214,296)	(22,726,766)
Net deficit in participants' fund	<u>18,538,892</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 43,753,188 (2010: AED 41,265,658) free of finance charge with no repayment terms. As at 30 September 2011, Qard Hassan at nominal value of AED 25,214,296 was impaired (December 2010: AED 22,726,766).

The management expects to recover the remaining balance from the future profits attributable to participants, including amount that is expected to be recovered as a result of the arbitration described in note 6.

11 PARTICIPANTS' FUND ASSETS AND LIABILITIES

	Notes	30 September 2011 AED	31 December 2010 AED (Audited)
Investment securities	7	225,380	264,518
Takaful receivables		24,636,473	19,648,423
Retakaful assets		3,857,324	1,828,087
Prepayments and other assets		2,379,767	1,359,836
Wakala deposits		-	2,627,439
Cash and bank balances	8	165,619	2,553,957
Participants' fund assets		<u>31,264,563</u>	<u>28,282,260</u>
Takaful contract liabilities		(33,157,178)	(30,918,487)
Takaful payables		(8,063,267)	(7,086,438)
Participants' fund liabilities		<u>(41,220,445)</u>	<u>(38,004,925)</u>
Expenses payable to Shareholders		(33,797,306)	(31,542,993)
Total takaful fund liabilities		<u>(75,017,751)</u>	<u>(69,547,918)</u>
Accumulated deficit at the end of the period		<u>(43,753,188)</u>	<u>(41,265,658)</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

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 interim statement of financial position are as follows:

	<i>30 September 2011 AED</i>	<i>31 December 2010 AED (Audited)</i>
<i>Placements with Islamic financial institutions</i>		
<i>Shareholders</i>		
Mawarid Finance PJSC	<u>18,831,420</u>	<u>46,002,702</u>
<i>Due from related parties</i>		
Al Jazeera Financial Services	<u>19,850</u>	<u>650,888</u>
<i>Due to a related party</i>		
Mawarid Finance PJSC	<u>1,356,830</u>	<u>1,229,226</u>

b) Transactions with related parties

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

	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011 AED</i>	<i>2010 AED</i>	<i>2011 AED</i>	<i>2010 AED</i>
<i>Income from wakala deposits</i>				
<i>Major Shareholders</i>				
Mawarid Finance PJSC (Note 4)	<u>148,381</u>	<u>694,137</u>	<u>749,936</u>	<u>2,323,780</u>
<i>Contributions earned</i>				
<i>Major Shareholders</i>	<u>1,687,976</u>	<u>2,453,541</u>	<u>2,978,781</u>	<u>4,042,934</u>
<i>Commission paid</i>				
<i>Major Shareholders</i>				
Mawarid Finance PJSC	<u>-</u>	<u>-</u>	<u>63,231</u>	<u>-</u>
<i>Management charges paid</i>				
<i>Major Shareholders</i>				
Mawarid Finance PJSC	<u>69,000</u>	<u>150,000</u>	<u>87,000</u>	<u>450,000</u>

c) Compensation of key management personnel

	<i>Nine months ended 30 September</i>	
	<i>2011 AED</i>	<i>2010 AED</i>
Short-term benefits	<u>2,561,233</u>	<u>1,599,610</u>
Employees' end of service benefits	<u>97,609</u>	<u>42,714</u>
	<u>2,658,842</u>	<u>1,642,324</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2011 (Unaudited)

13 FATWA AND SHARIA SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Fatwa and Sharia 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 Sharia rules and principles.

14 COMMITMENTS AND GUARANTEES

Commitments

The Company has capital expenditure commitments for the Head office expansion and renovation amounting to AED 469,000 (December 2010: AED Nil).

Guarantees

As at 30 September 2011, the Company has financial guarantees against labour and third party commitments for AED 52,000 (December 2010: AED 131,750) held by the Lebanese Insurance Company- Oman.

15 COMPARATIVE INFORMATION

Restricted deposits was reclassified from Wakala deposits and shown as a separate line item on the face of the statement of financial position.

This change has been made to improve the quality of information presented and does not affect previously reported statement of income and statement of changes in equity.