Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The company manages the liquidity risk through risk management framework for the company's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and the availability of financing through banking arrangements to ensure funds are available to meet its commitments for liabilities as they fall due

The details of maturity dates of the company's financial assets and financial liabilities are as follows :

As at 31 December 2010 :

	Less than three months AED	From 3 months to one year AED	1-5 years AED	Over 5 years AED	Total AED
Financial Assets					
Bank balances	4,154,270	91,364,168	--	4,000,000	99,518,438
Post-dated cheques received	294,180	268,235	--	--	562,415
Takaful and other receivables (except for prepaid expenses)	1,961,895	10,705,095	--	--	12,666,990
Retakaful Contract Assets	--	4,101,712	--	--	4,101,712
Held to maturity investments	--	--	4,395,634	--	4,395,634
Total	6,410,345	106,439,210	4,395,634	4,000,000	121,245,189
Financial Liabilities					
Post dated cheques issued	162,500	365,000	--	--	527,500
Due to a related party	29,290	--	--	--	29,290
Retakaful and other payables	--	7,074,729	395,310	--	7,470,039
Takaful contract liabilities	--	9,160,850	--	--	9,160,850
Total	191,790	16,600,579	395,310		17,187,679

As at 31 December 2009 :

	Less than three months AED	From 3 months to one year AED	1-5 years AED	Over 5 years AED	Total AED
Financial Assets					
Bank balances	2,007,851	97,344,464	--	4,000,000	103,352,315
Post-dated cheques received	91,409	22,225	--	--	113,634
Takaful and other receivables (except for prepaid expenses)	858,626	4,762,995	--	--	5,621,621
Retakaful Contract Assets	--	1,337,377	--	--	1,337,377
Held to maturity investments	--	2,592,050	4,210,372	--	6,802,422
Total	2,957,886	106,059,111	4,210,372	4,000,000	117,227,369
Financial Liabilities					
Post dated cheques issued	1,322,063	1,738,312	--	--	3,060,375
Due to a related party	34,048	--	--	--	34,048
Retakaful and other payables	--	1,802,548	221,801	--	2,024,349
Takaful contract liabilities	--	2,058,075	--	--	2,058,075
Total	1,356,111	5,598,935	221,801	--	7,176,847

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation have legal or regulatory implications or can lead to financial loss.

The company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks the company is able to manage the risks.

18. NET EARNED CONTRIBUTIONS

This item consists of the following :

	31 December 2010			31 December 2009		
	Medical	**Life**	**Total**	Medical	Life	Total
	AED	AED	AED	AED	AED	AED
Gross contributions written						
Gross Contributions written	**14,012,573**	**631,560**	**14,644,133**	1,337,023	876,685	2,213,708
Change in unearned contributions provision	**(4,709,162)**	**676,045**	**(4,033,117)**	(1,147,907)	(852,767)	(2,000,674)
Takaful Contributions earned	**9,303,411**	**1,307,605**	**10,611,016**	189,116	23,918	213,034
Retakaful Contributions						
Retakaful contributions	**5,607,971**	**359,612**	**5,967,583**	761,715	651,706	1,413,421
Change in unearned contributions provision	**(1,441,766)**	**536,407**	**(905,359)**	(659,610)	(638,438)	(1,298,048)
Retakaful contributions ceded	**4,166,205**	**896,019**	**5,062,224**	102,105	13,268	115,373
Net earned contributions - Exhibit B	**5,137,206**	**411,586**	**5,548,792**	87,011	10,650	97,661

19. TAKAFUL EXPENSES

This item consists of the following :

	31 December 2010			31 December 2009		
	Medical	**Life**	**Total**	Medical	Life	Total
	AED	AED	AED	AED	AED	AED
Commission and other expenses - Exhibit B	**924,117**	**70,176**	**994,293**	47,101	86,064	**133,165**

20. WAKALAH FEES

The shareholders manage the takaful operations for the policy holders and charge 15% - 35% (2009 : 15% - 25%) of gross takaful contributions as wakalah fees. For the year ended 31 December 2010, wakalah fees charged to policy holders amounted to AED. 2,876,468 (period 2009 : AED. 426,195).

21. SHAREHOLDERS' INVESTMENT AND OTHER INCOME

This item consists of the following :

	Year ended 31.12.2010 AED	Period from 18.5.2008 to 31.12.2009 AED
Profit from investment in fixed deposits	**5,271,136**	9,619,923
Profit from investment in Held to Maturity Investments(sukuk)	**900,646**	1,069,843
Other	**710**	--
Total - Exhibit B	**6,172,492**	10,689,766

22. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following :

	Year ended 31.12.2010 AED	Period from 18.5.2008 to 31.12.2009 AED
Salaries and other benefits	**6,542,670**	6,257,565
Advertisement expenses	**31,008**	168,653
Rent	**2,553,009**	3,628,025
Government expenses	**126,329**	231,334
Stationery	**53,674**	89,583
Telephone, fax and postage	**265,519**	51,482
Legal fees	**418,292**	452,074
Remuneration of Sharia Supervisory Board	**224,446**	346,587
Depreciation	**847,033**	214,248
Insurances Authority Fee	**57,315**	7,102
Consulting expenses	**1,114,819**	692,253
Insurance expenses	**167,265**	112,850
Maintenance expenses	**49,930**	37,922
Computer software expenses	**577,706**	--
Miscellaneous	**241,700**	349,561
Total - Exhibit B	**13,270,715**	12,639,239

23. LOSS PER SHARE

Loss per share is calculated by dividing the loss for the year/period by the weighted average number of ordinary shares outstanding during the year/period.

	Year ended 31.12.2010 AED	Period from 18.5.2008 to 31.12.2009 AED
Loss for the year/period attributable to Equity holders of the company (AED)	**(22,102,991)**	(7,244,334)
Weighted average number of shares(share)	**150,000,000**	150,000,000
Basic loss per share (AED) – Exhibit B	**(0.147)**	(0.048)

24. SEGMENT INFORMATION

Primary Segment information

The company is organized into two main business segments :

- Underwriting of takaful business insurance incorporating Health Insurance, Life Insurance and credit & saving insurance. This business is conducted fully within the U.A.E.
- Investments incorporating investments fixed deposit in local banks and investment in sukuk.

	YEAR ENDED 31 DECEMBER 2010						PERIOD FROM 18.5.2008 TO 31.12.2009					
	Underwriting			Shareholders			Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	9,303,411	1,319,143	10,622,554	6,171,782	710	6,172,492	189,116	25,086	214,202	10,689,766	--	10,689,766
Segment result	264,801	227,858	492,659	(8,828,589)	710	(8,827,879)	3,385	(74,246)	(70,861)	10,689,766	278,944	10,968,710
Wakalah fees	--	--	(2,876,468)	--	2,876,468	2,876,468	--	--	(426,195)	--	426,195	426,195
Loss attributable to **policy holders**			(2,383,809)						**(497,056)**			
Unallocated costs						(16,151,580)						(18,639,239)
Net loss for the year/ period						**(22,102,991)**						**(7,244,334)**

24. SEGMENT INFORMATION (CONTINUED)

Other information

	Year ended 31 December 2010						Period from 18.5.2008 to 31.12.2009					
	Underwriting			Shareholders		Total	Underwriting			Shareholders		Total
	Medical	Life	Total	Investments	Total		Medical	Life	Total	Investments	Total	
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Segment assets	11,991,871	365,633	12,357,504	107,839,415	107,839,415	120,196,919	1,465,675	1,239,667	2,705,342	105,788,600	105,788,600	108,493,942
Unallocated assets			--		18,003,110	18,003,110	--	--	--	--	41,091,233	41,091,233
Total assets			**12,357,504**		**125,842,585**	**138,200,029**			**2,705,342**		**146,879,833**	**149,585,175**
Segment liabilities	14,856,574	381,796	15,238,370		--	15,238,370	1,934,312	1,555,816	3,490,128		--	3,490,128
Unallocated liabilities			--		2,308,984	2,308,984			(497,056)		3,836,437	3,339,381
Total liabilities			**15,238,370**		**2,308,984**	**17,547,354**			**2,993,072**		**3,836,437**	**6,829,509**

25. CASH AND CASH EQUIVALENTS

At 31 December 2010 "cash and cash equivalents" included in the statement of cash flows (Exhibit D) comprise the following items :

	Year ended 31.12.2010 AED	Period from 18.5.2008 to 31.12.2009 AED
Bank balances - current accounts	**4,154,270**	2,007,851
Investment deposits placed for a period of three months or less from the original date of placement	**15,650,000**	6,650,000
Total - Exhibit D	**19,804,270**	8,657,851

26. CONTINGENT LIABILITIES/COMMITMENTS

Contingent liabilities/commitments of the company as at the financial position date are as follows :

Contingent liabilities

	31.12.2010 AED	31.12.2009 AED
Letters of guarantee	**39,000**	39,000

Commitments

- The company has lease agreements which are payable as follows :

	31.12.2010 AED	31.12.2009 AED
Less than one year	**527,500**	3,323,046
Between one and five years	**--**	341,878
Total	**527,500**	3,664,924

- **Other Commitments :**

	31.12.2010 AED	31.12.2009 AED
Commitments towards purchase of property and equipments	**1,538,110**	1,004,939

27. GENERAL

The figures in the financial statements are rounded to the nearest Arab Emirates Dirham (AED).