Takaful House PJSC

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2009 (UNAUDITED)

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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 30 September 2009, comprising of the interim statement of financial position as at 30 September 2009 and the related interim income statement, statement of changes in equity and cash flows for the period since inception then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim 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.

Basis for qualified conclusion
A participant under a fire Takaful contract has filed a suit against the Company to claim a loss due to a fire in its premises. The participant is claiming AED 30 million where as the revised interim report from the loss adjusters assessed the loss at AED 29.2 million. A cash call made by the Company to its retakaful companies was rejected based on an exclusion clause, which led the Company and its retakaful companies to action the arbitration clause included in the Treaty agreement in order to settle their dispute on the interpretation of this exclusion clause.

Due to the uncertainties on the outcomes from the participant's legal action and the arbitration decision with the retakaful companies, the management is of the opinion that the current situation does not provide sufficient information to assess the potential amount that may be payable to the Participant or the amount that may be recoverable from its retakaful companies. Accordingly, no assessment of the outcome from the fire claim and its impact on the interim condensed financial statements has been made by the management, and we are unable to assess the potential amount that may be payable to the Participant, nor the amount that may be recoverable from the retakaful companies.

Qualified conclusion
Based on our review, except for the adjustments to the interim condensed financial statements that we might have become aware of had we been able to assess the outcome from the fire claim as discussed in the qualification paragraph, 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.

Signed by:
Ali Issa
Partner
Registration No. 488

Dubai, United Arab Emirates
12 November 2009

INTERIM INCOME STATEMENT

Period ended 30 September 2009 (Unaudited)

	Notes	*Inception to 30 September 2009 AED*	*1 July to 30 September 2009 AED*
ATTRIBUTABLE TO PARTICIPANTS			
Contributions earned		**11,111,271**	**4,809,160**
Contributions ceded to retakaful		**(1,368,240)**	**(792,735)**
Net contributions revenue		**9,743,031**	**4,016,425**
Commission received on ceded contributions		**164,716**	**82,670**
		9,907,747	**4,099,095**
UNDERWRITING EXPENSES			
Claims	5	**(5,571,512)**	**(1,829,144)**
Commission paid		**(2,026,364)**	**(220,543)**
NET UNDERWRITING PROFIT	3	**2,309,871**	**2,049,408**
Wakala fees	3	**(3,759,278)**	**(825,630)**
Excess of loss retakaful		**(311,401)**	**(77,850)**
Expenses allocated to participants		**(1,047,805)**	**(709,689)**
Other expenses		**(1,356,280)**	**(1,040,709)**
Income from Wakala deposits		**140,645**	**88,462**
Gain on sale of investment at fair value through profit and loss		**78,835**	**-**
Unrealised gain on investment at fair value through profit and loss		**112,640**	**93,569**
DEFICIT FOR THE PERIOD	3	**(3,832,773)**	**(422,439)**
ATTRIBUTABLE TO SHAREHOLDERS			
INCOME			
Pre-incorporation profits	6	**326,829**	**-**
Income from Wakala deposits		**4,677,743**	**1,173,798**
Policy and survey fees		**120,091**	**15,905**
Dividend income		**183,300**	**-**
Gain on sale of investment at fair value through profit and loss		**574,713**	**65,168**
Other income		**326,963**	**36,963**
Wakala fees from participants		**3,759,278**	**825,630**
		9,968,917	**2,117,464**
EXPENSES			
General and administrative expenses		**(7,668,197)**	**(2,503,045)**
Expenses incurred during the period from inception to commencement of operations		**(669,723)**	**-**
Unrealised (loss) / gain on investment at fair value through profit and loss		**(114,522)**	**1,952,810**
Profit before provision		**1,516,475**	**1,567,229**
Provision against Qard Hassan to participants		**(3,832,773)**	**(422,439)**
(LOSS) / PROFIT FOR THE PERIOD	3	**(2,316,298)**	**1,144,790**
Basic and diluted earnings per share	4	**(0.023)**	**0.011**

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

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2009 (Unaudited)

	Notes	*2009* *AED*
ASSETS		
Property and equipment		**12,951,544**
Financial assets carried at fair value through profit and loss	7	**8,049,103**
Contributions receivable	8	**5,122,406**
Prepayments and other assets		**4,068,864**
Wakala deposits		**79,878,173**
Cash and bank balances	9	**1,559,960**
TOTAL ASSETS		**111,630,050**
EQUITY, PARTICIPANTS' FUND AND LIABILITIES		
Equity		
Share capital	10	**100,000,000**
Accumulated losses		**(2,316,298)**
Total equity		**97,683,702**
Participants' fund		
Qard Hassan from shareholders' fund		**3,832,773**
Deficit in participants' fund	11	**(3,832,773)**
Total participants fund		**-**
Liabilities		
Takaful contract liabilities		**12,755,250**
Other liabilities		**1,191,098**
Total liabilities		**13,946,348**
TOTAL EQUITY AND LIABILITIES		**111,630,050**

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 12 November 2009.

Mr. Mohamed Ali Al-Neaimi
Chairman

Mr. Wan Zamri Wan Ismail
General Manager

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

INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2009 (Unaudited)

	Share capital *AED*	*Accumulated losses* *AED*	*Total* *AED*
Share capital issued	100,000,000	-	100,000,000
Loss for the period	-	(2,316,298)	(2,316,298)
Balance at 30 September 2009	**100,000,000**	**(2,316,298)**	**97,683,702**

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

INTERIM CASH FLOW STATEMENT

Period ended 30 September 2009 (Unaudited)

	Notes	*Since inception to 30 September 2009 AED*
OPERATING ACTIVITIES		
Loss for the period		**(2,316,298)**
Adjustments for:		
Depreciation		**656,461**
Provision for claims		**2,066,373**
Changes in fair value of investments carried at fair value through profit and loss	7	**1,882**
Gain on disposal of investments carried at fair value through profit and loss		**(653,549)**
Income from Wakala deposits		**(4,818,388)**
		(5,063,519)
Changes in operating assets and liabilities:		
Contributions receivable		**(5,122,406)**
Prepayments and other receivables		**(4,068,864)**
Takaful contract liabilities		**10,688,877**
Other liabilities		**1,191,098**
		2,688,705
Net cash used in operating activities		**(2,374,814)**
INVESTING ACTIVITIES		
Purchase of property and equipment		**(13,608,005)**
Purchase of financial assets carried at fair value through profit and loss		**(14,106,697)**
Proceeds from disposal of assets carried at fair value through profit and loss		**6,709,261**
Wakala deposits		**(79,878,173)**
Profit received on wakala deposits		**4,818,388**
Net cash used in investing activities		**(96,065,226)**
FINANCING ACTIVITIES		
Share capital issued		**100,000,000**
Net cash from financing activities		**100,000,000**
INCREASE IN CASH AND CASH EQUIVALENTS		**1,559,960**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	**1,559,960**

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

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. 9 of 1984 relating to insurance companies and insurance agents and the Articles and Memorandum of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

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

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

2 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 interim financial statements as of 31 December 2008. In addition, results for the period since inception to 30 September 2009 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2009.

The articles of association of the Company require that separate accounts be maintained for insurance 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 interim financial statements for the period ended 31 December 2008, except that, the Company has adopted the following standard effective for the annual period beginning on or after 1 January 2009:

IFRS 8 Operating Segments:
This standard requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this Standard did not have effect on the financial position or performance of the Company. The Company determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

2 ACCOUNTING POLICIES (continued)

Selected accounting policies

In accordance with the requirement of Securities Authority and Commodities (Circular dated 12-10-2008) following significant accounting policies of Company's financial statements are reproduced below:

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

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

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES (continued)

Selected accounting policies (continued)

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

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

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

3 SEGMENTAL INFORMATION

Primary segment information
For management purposes the Company is organised into two business segments, general takaful and investment. The general takaful segment comprises the takaful business undertaken by the Company. Investments comprises investment and cash management for the Company's own account. These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

	Inception to 30 September 2009		
	Policy-holders AED	***Share-holders AED***	***Total AED***
General takaful			
Gross contributions written	19,213,844	-	**19,213,844**
Unearned contributions	(8,102,573)	-	**(8,102,573)**
Other underwriting net expenses	(8,801,400)	-	**(8,801,400)**
Wakala fees	(3,759,278)	3,759,278	-
	(1,449,407)	**3,759,278**	**2,309,871**

	Inception to 30 September 2009		
	Policy-holders AED	***Share-holders AED***	***Total AED***
Investment			
Investment income	332,120	4,563,221	**4,895,341**
Other income and expenses	(2,715,486)	(6,806,024)	**(9,521,510)**
	(2,383,366)	**(2,242,803)**	**(4,626,169)**
(Loss) / Profit for the period	**(3,832,773)**	**1,516,475**	**(2,316,298)**

3 SEGMENTAL INFORMATION (continued)

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

	General takaful AED	*Investment AED*	*Total AED*
Total assets	13,212,650	98,417,400	**111,630,050**
Total liabilities	13,623,583	322,765	**13,946,348**

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 EARNINGS PER SHARE

Earnings 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:

	Inception to 30 September 2009 AED	***1 July to 30 September 2009 AED***
Net (loss) / Profit for the period	**(2,316,298)**	**1,144,790**
Weighted average number of shares outstanding during the period	**100,000,000**	**100,000,000**
Basic and diluted earnings per share (AED)	**(0.023)**	**0.11**

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

5 CLAIMS

	Inception to 30 September 2009 AED	***1 July to 30 September 2009 AED***
Claims paid	**3,505,139**	**1,977,362**
Provision for reported claims	**2,066,373**	**(148,218)**
	5,571,512	**1,829,144**

A participant under a fire Takaful contract has filed a suit against the Company to claim a loss due to a fire in its premises. The participant is claiming AED 30 million where as the revised interim report from the loss adjusters assessed the loss at AED 29.2 million. A cash call made by the Company to its retakaful companies was rejected based on an exclusion clause, which led the Company and its retakaful companies to action the arbitration clause included in the Treaty agreement in order to settle their dispute on the interpretation of this exclusion clause.

5 CLAIMS (continued)

Due to the uncertainties on the outcomes from the participant's legal action and the arbitration decision with the retakaful companies, the management is of the opinion that the current situation does not provide sufficient information to assess the potential amount that may be payable to the Participant or the amount that may be recoverable from its retakaful companies. Accordingly, no assessment of the outcome from the fire claim and its impact on the interim condensed financial statements has been made by the management.

6 PRE-INCORPORATION PROFITS

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

	Inception to 30 September 2009 AED
Income from Wakala deposits	**1,620,126**
Offering fee	**3,500,000**
	5,120,126
Pre-incorporation expenses	**(4,793,297)**
	326,829

7 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2009 AED
Quoted securities at cost	**8,050,985**
Cumulative fair value adjustments recognised in the income statement	**(1,882)**
	8,049,103

8 CONTRIBUTION RECEIVABLE

	2009 AED
Contribution receivable	**5,602,406**
Less: Provision for doubtful debts	**(480,000)**
	5,122,406

As at 30 September 2009, contribution receivables at nominal value of AED 480,000 (June 2009: AED Nil) were impaired. No other movement in provision for doubtful debts were recorded during the period.

9 CASH AND BANK BALANCES

	2009 AED
Cash	**1,954**
Bank balances	**1,558,006**
	1,559,960

Included in bank balances at 30 September 2009 is an Islamic bank deposit amounting to AED 1 million with an Islamic bank in the UAE. This deposit is denominated in AED and carries profit as per market rates.

10 SHARE CAPITAL

	2009 AED
Authorised, issued and fully paid	
100,000,000 shares of AED 1 each	**100,000,000**

11 PARTICIPANTS' FUND

		2009 AED
Bank balances		**1,045,443**
Wakala deposits		**4,642,585**
Financial assets carried at fair value through profit and loss	7	**598,770**
Due from Related Parties		**92,706**
Contribution receivables		**5,266,406**
Claim recoverable		**1,230,740**
Total assets		**12,876,650**
Less:		
Unearned contributions		**8,102,573**
Retakaful payable		**528,421**
Provision for claims		**4,652,677**
Commissions payable		**339,911**
Expenses payable to shareholders fund		**3,085,841**
Total liabilities		**16,709,423**
Net deficit for the period / Payable to shareholders		**(3,832,773)**

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:

	2009 *AED*
Placements with Islamic financial institutions	
Shareholders	
Mawarid Finance PJSC	**79,878,173**
Due from related parties	
Al Jazeerah Financial Services	**2,102,564**
Due to a related party	
Mawarid Finance PJSC	**154,598**

b) Transactions with related parties

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

	Inception to 30 September 2009 *AED*	*1 July to 30 September 2009* *AED*
Income from wakala deposits		
Major Shareholders		
Mawarid Finance PJSC	**4,818,388**	**2,249,008**

	Inception to 30 September 2009 *AED*	*1 July to 30 September 2009* *AED*
Contributions earned		
Major Shareholders	**48,284**	**39,814**
Other income		
Major Shareholders		
Mawarid Finance PJSC	**290,000**	**290,000**
Management charges paid		
Major Shareholders		
Mawarid Finance PJSC	650,000	**150,000**
Purchase of property		
Major Shareholders		
Mawarid Finance PJSC	**9,601,500**	-

12 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	Inception to 30 September 2009 AED	*1 July to 30 September 2009 AED*
Short-term benefits	**600,000**	**150,000**
Employees' end of service benefits	**118,467**	**4,388**
	718,467	**154,388**

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

	2009 AED
Capital expenditure commitments:	
Estimated capital expenditure contracted for at the statement of financial position date but not provided for:	**1,003,220**
Other Commitments:	
Other commitments	**71,000**