TAKAFUL EMARAT – INSURANCE (PSC)

PUBLIC JOINT STOCK COMPANY

DUBAI

UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD FROM 18 MAY 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

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Independent Auditor's Report

1013801310

The Shareholders
Takaful Emarat – Insurance (PSC)
Public Joint Stock Company
Dubai
United Arab Emirates

Report on Financial Statements

We have audited the accompanying financial statements of **Takaful Emarat – Insurance (PSC)**, which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 18 May 2008 (date of inception) to 31 December 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Takaful Emarat – Insurance (PSC)**, as of 31 December 2009 and of its financial performance and its cash flows for the period from 18 May 2008 (date of inception) to 31 December 2009 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also in our opinion, the company has maintained proper accounting records and the contents of the Directors' report relating to the financial statements are in agreement therewith. To the extent of information and explanations made available to us, nothing came to our attention concerning occurrence of violations of the UAE Commercial Companies Law No.8 of 1984 and its amendments or with UAE Federal Law No. 6 of 2007 with the matter of establishing Insurance Authority and organizing its working in United Arab Emirates or the Articles of Association of the company for the period which would have had a material effect on the company's activities or its financial position.

Explanatory Paragraph

We draw attention that the audited financial statements of the company for the period from 18 May 2008 (date of inception) to 31 December 2008, and also quarterly interim financial statements has been issued as required by Securities and Commodities Authority in U.A.E. In compliance with the Company's Articles of Association and UAE Federal Law No.6 of 2007 for Insurance Authority and Organization of its Operations, these financial statements for the period from 18 May 2008 (date of inception) to 31 December 2009 are issued.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34
3 March 2010.

TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

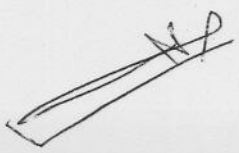
EXHIBIT A

	Note	AED
ASSETS		
Bank balances	4	103,352,315
Post-dated cheques received		113,634
Takaful and other receivables	5	9,736,418
Retakaful Contract Assets	6	1,337,377
Held to maturity investments	7	6,802,422
Property and equipment	8	28,243,009
TOTAL ASSETS		**149,585,175**
LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Post dated cheques issued	9	3,060,375
Due to a related party	10	34,048
Retakaful and other payables	11	2,024,349
Takaful contract liabilities	6	2,058,075
End of service benefits obligation	12	149,718
TOTAL LIABILITIES		**7,326,565**
POLICY HOLDERS' FUND		
Deficit of policy holders' fund	16	**(497,056)**
TOTAL LIABILITIES AND POLICY HOLDERS' FUND		**6,829,509**
SHAREHOLDERS' EQUITY		
Share capital	13	150,000,000
Accumulated losses		(7,244,334)
NET SHAREHOLDERS' EQUITY - EXHIBIT C		**142,755,666**
TOTAL LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY		**149,585,175**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors on 3 March 2010 and signed on its behalf by :

Dr. Khalid Saqer Khalfan Al Marri
Chairman



TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 18 MAY 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

EXHIBIT B

	Note	AED
ATTRIBUTABLE TO POLICYHOLDER		
Takaful Contributions earned	17	213,034
Retakaful Contributions ceded	17	(115,373)
Net earned contributions	17	**97,661**
Gross claims incurred		(75,854)
Retakaful share of claims incurred		39,329
Net claims incurred		(36,525)
Takaful income		61,136
Takaful expenses	18	(133,165)
Commission on life retakaful and other income		1,168
Takaful Operating Loss		**(70,861)**
Wakalah fees	19	(426,195)
Deficit of takaful for the period		**(497,056)**
Attributable to shareholders :		
Shareholders' investment income, net	20	10,689,766
Net initial public offering subscription fees received		278,944
Wakalah fees from policy holders		426,195
General and administrative expenses	21	(12,639,239)
Impairment of property and equipment		(6,000,000)
Loss for the period - **Exhibit D**		**(7,244,334)**
Other comprehensive income		**--**
Total comprehensive loss for the period - **Exhibit C**		**(7,244,334)**
Basic loss per share	22	**(0.048)**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 18 MAY 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

EXHIBIT C

	Share capital AED	Accumulated losses AED	Total AED
Paid up share capital	150,000,000	--	150,000,000
Total Comprehensive Loss for the period from 18 May 2008 (date of inception) to 31 December 2009 – Exhibit B	--	(7,244,334)	(7,244,334)
Balance at 31 December 2009 - Exhibit A	**150,000,000**	**(7,244,334)**	**142,755,666**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 18 MAY 2008 (DATE OF INCEPTION) TO 31 DECEMBER 2009

EXHIBIT D

OPERATING ACTIVITIES	AED
Loss for the period - Exhibit B	(7,244,334)
Adjustments for:	
Net retakaful contract assets and takaful contract liabilities	720,698
Depreciation	214,248
Impairment loss of property and equipment	6,000,000
Held to maturity investment income	(1,069,843)
End of service benefits obligation	170,648
Operating Loss Before Working Capital Changes	(1,208,583)
Working Capital Changes :	
Post dated cheques received	(113,634)
Takaful and other receivables	(9,736,418)
Post dated cheques issued	3,060,375
Due to a related party	34,048
Retakaful and other payables	2,024,349
Settlement of end of service benefits obligation	(20,930)
Net Cash Used in Operating Activities	**(5,960,793)**
INVESTING ACTIVITIES	
Investment deposits	(94,694,464)
Purchase of held to maturity investments	(7,309,585)
Proceeds from profit on held to maturity investments	1,577,006
Purchases of property and equipment	(34,457,257)
Net Cash Used in Investing Activities	**(134,884,300)**
FINANCING ACTIVITIES	
Paid up share capital	150,000,000
Deficit of policy holders' fund	(497,056)
Net Cash Provided by Financing Activities	**149,502,944**
Net increase in cash & cash equivalents	**8,657,851**
Cash & cash equivalents at beginning of period	--
Cash & Cash Equivalents at end of Period - Note 24	**8,657,851**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TAKAFUL EMARAT – INSURANCE (PSC)
PUBLIC JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

NOTES TO FINANCIAL STATEMENTS

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1. STATUS AND ACTIVITIES

Takaful Emarat – Insurance (PSC) – Dubai – United Arab Emirates (hereinafter referred to as the **"Company"**) incorporated as a public joint stock company in accordance with the U.A.E. Federal Law No. 8 of 1984 (as amended) and with U.A.E. Federal Law No. 6 of 2007 with the matter of establishing Insurance Authority and organizing its working in United Arab Emirates.

The company carry out Takaful Insurance Activities in Health Insurance and Life Insurance and Credit & Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the company.

The company is domiciled in Dubai City – Emirate of Dubai - and its registered address is P.O. Box 64341.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the company has adopted the new and revised International Financial Reporting Standards (IFRSs) including the International Accounting Standards (IASs) and their interpretations that are relevant to its operations and effective for the financial statement for the current period.

The directors anticipate that all of the new and revised International Financial Reporting Standards (IFRSs) and Interpretations as applicable will be adopted in the Company's financial statements for the period commencing 1 January 2010 or as and when it is applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

- *Takaful Contribution earned*

  For all takaful contracts, contributions are recognized as revenue (earned contributions) proportionally over the period of coverage. The portion of contributions received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned contribution liability.

- *Claims*

  Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

- *Retakaful income and expenses*

  Retakaful income is recognized when retakaful is entered into and retakaful expenses are recognized when the policies are issued.

Cash and cash equivalents

Cash comprises bank balances and demand deposits where cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Takaful Contracts

The company issues contracts that transfer takaful risk. Takaful contracts are those contracts that transfer significant takaful risk. As a general guideline, the company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of an insured event.

Retakaful contract assets

Contracts entered into by the company for retakaful under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements of takaful contracts are classified as retakaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Takaful contracts entered into by the company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the company is entitled under its retakaful contracts held are recognized as retakaful contract assets. The company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the company reduces the carrying amount of the retakaful contract assets to its recoverable amount and recognizes that impairment loss in the statement of comprehensive income.

Takaful contract liabilities

Takaful contract liabilities towards outstanding claims are made for all claims intimated to the company and still unpaid at the statement of financial position date, in addition to claims incurred but not reported. The unearned contributions considered in the takaful contract liabilities comprise of estimated proportion of the gross contributions written which relates to the periods of takaful subsequent to the statement of financial position date.

Held to maturity investments

Held to maturity investments are debt instrument with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less impairment with revenue recognized on an effective yield basis.

Takaful receivables and payables

Takaful receivables and payables are recognized when due. These include amounts due to and from agents, brokers and takaful contract holders.

If there is objective evidence that the takaful receivable is impaired, the company reduces the carrying amount of the takaful receivable accordingly and recognizes that impairment loss in the statement of comprehensive income.

Property and equipment

The property and equipment are carried at their cost less any accumulated depreciation and any accumulated impairment.

Depreciation is calculated on a straight line basis over the estimated useful lives. Annual rates of depreciation used are as follows :

	%
Office equipment	20
Furniture and fixtures	20
Computer software	33

The estimated useful lives, residual values and depreciation method are reviewed and adjusted if appropriate at each statement of financial position date.

The carrying amounts are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts.

Any gain or loss arising on derecognition of any item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets, and is recognized in the statement of comprehensive income.

Impairment of assets

The carrying amounts of the company's assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the recoverable value of the assets is estimated. An impairment loss is recognized where the carrying amount of a asset exceeds its recoverable value. Impairment losses are recognized in the statement of comprehensive income.

Derecognition of financial assets

The company derecognizes a financial asset only when the contractual rights of the cash flows from the asset is lost or expired, or when the company finance, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity depending on the substance of the contractual arrangement.

Accounts payable and accruals

Accounts payable and accruals are recognized for amounts to be paid in the future for goods or services received, whether billed by supplier or not.

End of service benefits obligation

End of service benefits obligation is calculated in accordance with U.A.E. Labour law requirements

Defined contribution plan

U.A.E. National employees of the company are members of the Government managed retirement pension and the social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The company is required to contribute and the contributions are charged to the statement of comprehensive income.

Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.

Provisions are review and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

Derecognition of financial liabilities

The company derecognizes financial liabilities when the company's obligations are discharged, cancelled or they expire.

Related parties

Related parties are considered to be related because they have the ability to exercise control over the company or to exercise significant influence or joint control over the company's financial and operating decisions. Further, parties are considered related to the company when the company has the ability to exercise control, significant influence, or joint control over the financial and operating decisions of those parties.

Statutory Reserve

In accordance with the UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Company's Articles of Association an amount equal to 10% of the profit for the period is to be transferred to statutory reserve until such reserve balance reaches 50% of the Company's capital. Amounts retained in the statutory reserve account are not available for distribution to shareholders.

Additional Reserve

In accordance with the company's Article of Association, an amount equal to 10% of the profit for the period is to be transferred to additional reserve. This transfer will be stopped by a decision from ordinary general assembly meeting based on the discretion of the Board of Directors and this reserve is used for the purposes decided by the general assembly meeting based on the discretion of the Board of Directors.

Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

Foreign currency

The statement of financial position is presented in Arab Emirates Dirhams (AED) which is the functional currency of the company. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on translating monetary items in profit or loss are recognized in the statement of comprehensive income.

Segments Information

Business segment

The Company's policy of differentiation between the work segments which are considered as primary segments by taking into consideration the nature of services and product from these segments, which exposed to risks and returns that are different from those of other business segments.

Geographic segment

The Company's policy of differentiation between the geographical segments which are considered as secondary segments taking into consideration the economic consequences, the related risk for each geographical segment which exposed to risks and returns that are different from those of segments operating in other economic environments.

Critical accounting judgments and key sources of estimation uncertainty

The company makes estimates and assumptions that affect the reported amounts of insurance contract assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and the latest available information including expectations of future events that are believed to be reasonable under the circumstances.

The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial position date. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior period claims estimates are reassessed for adequacy and changes are made to the provision.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The company made use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of comprehensive income.

4. **BANK BALANCES**

a) This item consists of the following :

	AED
Bank balances - current accounts	2,007,851
Investment deposits placed for a period of three months or less from the original date of placement	6,650,000
Investment deposits placed for a period exceeding three months from the original date of placement	94,694,464
Total - Exhibit A	**103,352,315**

b) Investment deposits totaling of AED.101,344,464 mentioned above are deposited with local Islamic Banks and include an investment deposit of AED. 4,000,000 kept in the order of the Chairman of the Insurance Authority.

5. **TAKAFUL AND OTHER RECEIVABLES**

This item consists of the following :

	AED
Takaful receivables	1,254,331
Accrued income of investment deposits	1,641,714
Prepaid expenses	4,114,797
Advances to suppliers	2,471,261
Margin held against letter of guarantees	39,000
Refundable deposits	174,115
Staff receivables	41,200
Total - Exhibit A	**9,736,418**

6 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

This item consists of the following :

	Medical AED	Life AED	**Total** AED
Takaful Contract Liabilities			
Reported claims	33,985	--	33,985
Claims incurred but not reported	23,416	--	23,416
Unearned premiums	1,147,907	852,767	2,000,674
	1,205,308	852,767	**2,058,075**
Retakaful Contract Assets			
Reported claims	21,765	--	21,765
Claims incurred but not reported	17,564	--	17,564
Unearned premiums	659,610	638,438	1,298,048
	698,939	638,438	**1,337,377**
Takaful liabilities - net			
Reported claims	12,220	--	12,220
Claims incurred but not reported	5,852	--	5,852
Unearned premiums	488,297	214,329	702,626
	506,369	214,329	**720,698**

TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS (CONTINUED)

The movement in the takaful contract liabilities and retakaful contract assets during the period is as follows :

	Gross			Retakaful			Net		
	Medical	Life	Total	Medical	Life	Total	**Medical**	**Life**	**Total**
	AED	AED	AED	AED	AED	AED	AED	AED	AED
Claims settled	(18,453)	--	(18,453)	--	--	--	(18,453)	--	(18,453)
Increase in liabilities	75,854	--	75,854	--	--	--	75,854	--	75,854
Total at 31 December 2009	**57,401**	--	**57,401**	--	--	--	**57,401**	--	**57,401**
Notified claims	33,985	--	33,985	21,765	--	21,765	12,220	--	12,220
Incurred but not reported	23,416	--	23,416	17,564	--	17,564	5,852	--	5,852
Total at 31 December 2009	**57,401**	--	**57,401**	**39,329**	--	**39,329**	**18,072**	--	**18,072**
Unearned Premium									
Increase during the period	1,147,907	852,767	2,000,674	659,610	638,438	1,298,048	488,297	214,329	702,626
Total at 31 December 2009	**1,147,907**	**852,767**	**2,000,674**	**659,610**	**638,438**	**1,298,048**	**488,297**	**214,329**	**702,626**

7 HELD TO MATURITY INVESTMENTS

a) This item consists of the following :

	AED
Cost at beginning of period	--
Additions during the period	7,309,585
Investments income	1,069,843
Profit received	(1,577,006)
Total - Exhibit A	**6,802,422**

b) Held to maturity investments mentioned above represent investment in Sukuk issued by local companies.

8. **PROPERTY AND EQUIPMENT**

a) The details of this item are as follows :

	Office equipment AED	Furniture & fixtures AED	Computer software AED	Land AED	Total AED
Cost :					
Additions during the period	359,799	2,337,842	59,245	31,700,371	34,457,257
Impairment loss	--	--	--	(6,000,000)	(6,000,000)
Balance at 31 December 2009	**359,799**	**2,337,842**	**59,245**	**25,700,371**	**28,457,257**
Accumulated Depreciation :					
Charged for the period	53,353	137,490	23,405	--	214,248
Balance at 31 December 2009	**53,353**	**137,490**	**23,405**	--	**214,248**
Net Book Value :					
At 31 December 2009 - Exhibit A	**306,446**	**2,200,352**	**35,840**	**25,700,371**	**28,243,009**

b) Land mentioned above of AED. 25,700,371 represent a plot of land located in Emirates of Dubai - United Arab Emirates.

9. **POST-DATED CHEQUES ISSUED**

This item consists of the following :

	AED
Post-dated cheques issued - current portion	1,738,313
Post-dated cheques issued - Non-current portion	1,322,062
Total - Exhibit A	**3,060,375**

10. **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties, normally, comprise of transfer of resources, services, or obligations between the parties. The prices and terms of these transactions are decided by the company's management. At the statement of financial position date, the related parties' receivables are stated at the net realizable value.

- At the statement of financial position date, balance due to a related party is as follows :

	AED
Al Buhairah National Insurance Co. - Sharjah **- Exhibit A**	**34,048**

- The following are the details of significant related party transactions :

	AED
Expenses charged	**564,971**

- The remuneration of key management are as follows :

	AED
Compensation paid to Key Management	**1,050,000**

11. **RETAKAFUL AND OTHER PAYABLES**

This item consists of the following :

	AED
Retakaful payables	1,412,583
Other payables	123,863
Provision for staff leave salaries	221,801
Accrued expenses	266,102
Total - Exhibit A	**2,024,349**

12. **END OF SERVICE BENEFITS OBLIGATION**

The movement in this item during the period are as follows :

	AED
Current service cost	170,648
Settlements	(20,930)
Balance at 31 December 2009 – Exhibit A	**149,718**

13. **SHARE CAPITAL**

This item consists of the following :

	AED
Authorised, issued and fully paid up share capital comprises : 150,000,000 ordinary shares of AED. 1 each – Exhibit A	150,000,000

14. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of financial assets and financial liabilities are determined as follows :

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

15. **RISK MANAGEMENT**

Governance framework

The primary objective of the company's risk and financial management framework is to protect the company's shareholders from events that binder the sustainable achievement of the set financial performance objectives.

The company is in the phase of establishing a risk management function with clear terms of reference from the board of directors and the associated executive management committees.

The company's risk management function is carried out by the board of directors, with its associated committees.

Capital management framework

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

Insurance risk

Insurance risk is where the company agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. Risk exposure is mitigated by diversification across a large portfolio of insurance contracts and use of reinsurance arrangements. It include frequency and amounts of claims, life assurance, personal accident and reinsurance risk.

Financial risk

Financial risk consists of the following :

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company monitors and manages any credit risk in accordance with a specific credit policies and procedures. The financial instrument recorded in the statement of financial position which exposed the company to the credit risk it is in cash with bank.

Profit rate risk
The company is exposed to profit rate risk on its profit generating assets and liabilities like bank balances.

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

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.

16. **POLICYHOLDER'S FUND**

This item consists of the following :

	AED
Balance at beginning of period	--
Net deficit for the period	(497,056)
Net - Exhibit B	**(497,056)**

17. **NET EARNED CONTRIBUTIONS**

This item consists of the following :

	Medical AED	Life AED	Total AED
Gross contributions written			
Gross Contributions written	1,337,023	876,685	2,213,708
Change in unearned contributions provision	(1,147,907)	(852,767)	(2,000,674)
Takaful Contributions earned	**189,116**	**23,918**	**213,034**
Retakaful Contributions			
Retakaful contributions	761,715	651,706	1,413,421
Change in unearned contributions provision	(659,610)	(638,438)	(1,298,048)
Retakaful contributions ceded	**102,105**	**13,268**	**115,373**
Net earned contributions - Exhibit B	**87,011**	**10,650**	**97,661**

18. **TAKAFUL EXPENSES**

This item consists of the following :

	Medical AED	Life AED	Total AED
Commission and other expenses - **Exhibit B**	47,101	86,064	**133,165**

19. **WAKALAH FEES**

The shareholders manage the takaful operations for the policy holders and charge 15% - 25% of gross takaful contributions as wakalah fees for the period ended 31 December 2009.

20. SHAREHOLDERS' INVESTMENT AND OTHER INCOME

This item consists of the following :

	AED
Profit from investment in fixed deposits	9,619,923
Profit from investment in Held to Maturity Investments(sukuk)	1,069,843
Total - Exhibit B	**10,689,766**

21. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following :

	AED
Salaries and other benefits	6,257,565
Advertisement expenses	168,653
Rent	3,628,025
Government expenses	231,334
Stationery	89,583
Telephone, fax and postage	51,482
Legal fees	452,074
Remuneration of Sharia Supervisory Board	346,587
Depreciation	214,248
Insurances Authority Fee	7,102
Consulting expenses	692,253
Insurance expenses	112,850
Maintenance expenses	37,922
Miscellaneous	349,561
Total - Exhibit B	**12,639,239**

22. LOSS PER SHARE

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

	AED
Loss for the period attributable to Equity holders of the company (AED)	**(7,244,334)**
Weighted average number of shares	**150,000,000**
Basic loss per share (AED) – Exhibit B	**(0.048)**

23. **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.

	Underwriting			SHAREHOLDERS		
	Medical	Life	Total	**Investments**	**Others**	**Total**
	AED	AED	AED	AED	AED	AED
Segment revenue	189,116	25,086	214,202	10,689,766	--	10,689,766
Segment result	3,385	(74,246)	(70,861)	10,689,766	278,944	10,968,710
Wakalah fees	--	--	(426,195)	--	426,195	426,195
Loss attributable to policy holders	--	--	**(497,056)**	--	--	--
Unallocated costs	--	--		--	--	(18,639,239)
Net loss for the period	--	--	--	--	--	**(7,244,334)**

SEGMENT INFORMATION (CONTINUED)

Other information

	Underwriting			Shareholders		
	Medical	Life	Total	**Investments**	**Total**	**Total**
	AED	AED	AED	AED	AED	AED
Segment assets	1,465,675	1,239,667	2,705,342	105,788,600	105,788,600	108,493,942
Unallocated assets	--	--	--	--	41,091,233	41,091,233
Total assets			**2,705,342**		**146,879,833**	**149,585,175**
Segment liabilities	1,934,312	1,555,816	3,490,128	--	--	3,490,128
Unallocated liabilities	--	--	(497,056)	--	3,836,437	3,339,381
Total liabilities			**2,993,072**		**3,836,437**	**6,829,509**

24. CASH AND CASH EQUIVALENTS

At 31 December 2009 "cash and cash equivalents" included in the condensed interim statement of cash flows (Exhibit D) comprise the following items :

	AED
Bank balances - current accounts	2,007,851
Investment deposits placed for a period of three months or less from the original date of placement	6,650,000
Total - Exhibit D	**8,657,851**

25. CONTINGENT LIABILITIES/COMMITMENTS

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

Contingent liabilities

	AED
Letters of guarantee	39,000

Commitments

- The company has lease agreements which expires in March 2011 and are payable as follows :

	AED
Less than one year	3,323,046
Between one and five years	341,878
Total	**3,664,924**

	AED
• Commitments towards purchase of property and equipments	1,004,939

26. GENERAL

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