Dar Al Takaful PJSC
(formerly Takaful House PJSC)

FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAR AL TAKAFUL PJSC (formerly Takaful House PJSC)

Report on the Financial Statements

We have audited the accompanying financial statements of Dar Al Takaful PJSC (the "Company") *(formerly Takaful House PJSC)*, which comprise the statement of financial position as at 31 December 2011 and the statement of income, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 and the applicable provisions of the articles of association of the Company, the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAR AL TAKAFUL PJSC (formerly Takaful House PJSC) (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), the UAE Federal Law No. (6) of 2007 and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), of the UAE Federal Law No. (6) of 2007, or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by:
Ali Issa
Partner
Registration No. 488

Dubai, United Arab Emirates

5 March 2012

STATEMENT OF INCOME

For the year ended 31 December 2011

	Notes	*2011* *AED*	*2010* *AED*
ATTRIBUTABLE TO PARTICIPANTS			
Gross contributions written	4	35,883,610	44,288,658
Movement in unearned contributions	4	4,742,164	(13,357,921)
Takaful Contributions revenue	4	40,625,774	30,930,737
Retakaful share of contributions	4	(8,252,741)	(4,704,544)
Movement in retakaful share of unearned contributions	4	1,309,622	514,671
Net retakaful share of contributions		(6,943,119)	(4,189,873)
Net takaful revenue	4	33,682,655	26,740,864
Policy and other fees		265,211	496,610
Other income		1,026,841	-
Provisions written back	14	29,200,000	-
Discount received on retakaful contributions		1,221,252	890,859
Total underwriting income		65,395,959	28,128,333
UNDERWRITING EXPENSES			
Claims incurred	5	(29,100,790)	(18,318,760)
Retakaful share of claims incurred	5	7,461,616	269,598
Net claims incurred		(21,639,174)	(18,049,162)
Policy acquisition cost	15	(4,296,022)	(5,451,111)
Excess of loss retakaful		(1,331,310)	(1,296,379)
Other underwriting expenses		(395,862)	-
NET UNDERWRITING INCOME		37,733,591	3,331,681
Wakala fees	6	(9,492,169)	(6,622,358)
Expenses allocated to participants	7	(2,128,495)	(917,373)
NET SURPLUS / (DEFICIT) FROM TAKAFUL OPERATIONS		26,112,927	(4,208,050)
Investment (loss) gain	8	(3,209)	149,862
Mudarib's share	6	(6,385)	(12,186)
SURPLUS / (DEFICIT) FOR THE YEAR ATTRIBUTABLE TO PARTICIPANTS BEFORE QARD HASSAN		26,103,333	(4,070,374)
Recovery of Qard Hassan	19	(26,103,333)	-
SURPLUS / (DEFICIT) AFTER RECOVERY OF QARD HASSAN		-	(4,070,374)

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF INCOME (continued)

For the year ended 31 December 2011

	Notes	*2011 AED*	*2010 AED*
ATTRIBUTABLE TO SHAREHOLDERS			
INCOME			
Wakala fees from participants	6	**9,492,169**	6,622,358
Mudarib's share	6	**6,385**	12,186
Investment (loss) / income	8	**(1,481,724)**	886,583
		8,016,830	7,521,127
EXPENSES			
General and administrative expenses	7	**(20,050,498)**	(12,355,151)
LOSS FOR THE YEAR BEFORE QARD HASSAN		**(12,033,668)**	(4,834,024)
Reversal of excess Provision (provision booked) against Qard Hassan to participants	19	**7,564,441**	(4,189,974)
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		**(4,469,227)**	(9,023,998)
Basic and diluted loss per share	9	**(0.044)**	(0.090)

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 *AED*	*2010* *AED*
ATTRIBUTABLE TO PARTICIPANTS		
Profit / (Loss) for the year	-	(4,070,374)
Other comprehensive loss		
Unrealised loss on available-for-sale-investments	**(36,660)**	(119,600)
Other comprehensive loss for the year	**(36,660)**	(119,600)
Total comprehensive loss for the year attributable to participants	**(36,660)**	(4,189,974)
ATTRIBUTABLE TO SHAREHOLDERS		
Loss for the year	**(4,469,227)**	(9,023,998)
Other comprehensive loss		
Unrealised gain loss on available-for-sale-investments	**(109,080)**	(199,743)
Impairment of available for sale investments recognised in income statement	**415,946**	-
Other comprehensive Income / (loss) for the year	**306,866**	(199,743)
Total comprehensive loss for the year attributable to shareholders	**(4,162,361)**	(9,223,741)

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 AED	2010 AED
TAKAFUL OPERATIONS' ASSETS			
Investment securities	12	**211,880**	264,518
Retakaful assets	17	**4,294,310**	1,828,087
Wakala deposits	13	**-**	2,627,439
Takaful receivables	14	**53,580,119**	19,648,423
Prepayments and other assets	15	**1,318,510**	1,359,836
Cash and bank balances	16	**1,314,523**	2,553,957
TOTAL TAKAFUL OPERATIONS' ASSETS		**60,719,342**	28,282,260
SHAREHOLDERS' ASSETS			
Property and equipment	10	**12,141,123**	12,321,487
Intangible assets	11	**324,529**	872,676
Investment securities	12	**3,628,466**	5,204,845
Restricted deposits	13	**6,000,000**	6,000,000
Wakala deposits	13	**8,500,000**	37,375,263
Due from participants		**35,355,415**	31,542,993
Prepayments and other receivables	15	**1,496,566**	1,842,611
Cash and bank balances	16	**16,671,107**	48,174
TOTAL SHAREHOLDERS' ASSETS		**84,117,206**	95,208,049
TOTAL ASSETS		**144,836,548**	123,490,309

Mohamed Ali Al-Neaimi
Chairman

Saleh Al Hashimi
Managing Director

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2011

	Notes	2011 AED	2010 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Takaful contract liabilities	17	**30,677,850**	30,918,487
Takaful payables	18	**9,885,062**	7,086,438
Due to shareholders		**35,355,415**	31,542,993
Total takaful operations' liabilities		**75,918,327**	69,547,918
Takaful operations' deficit			
Qard Hassan against deficit in participants' fund	19	**(15,162,325)**	(41,265,658)
Less: Provision against Qard Hassan to participants' fund	19	**15,162,325**	22,726,766
	19	**-**	(18,538,892)
Available-for-sale investments reserve	19	**(270,726)**	-
Total deficit from takaful operations		**(270,726)**	(18,538,892)
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		**75,647,601**	51,009,026
Shareholder's liabilities			
Other liabilities	20	**3,733,464**	2,863,439
Total liabilities		**3,733,464**	2,863,439
Shareholders' equity			
Share capital	22	**100,000,000**	100,000,000
Accumulated losses		**(34,580,845)**	(30,111,618)
Available-for-sale investments reserve	23	**36,328**	(270,538)
Total shareholders' equity		**65,455,483**	69,617,844
TOTAL SHAREHOLDERS LIABILITIES AND EQUITY		**69,188,947**	72,481,283
TOTAL TALKAFUL OPERATIONS' LIABILITUES AND DEFICIT, SHAREHOLDERS LIABILITIES AND EQUITY		**144,836,548**	123,490,309

The financial statements were authorised for issue by the directors on 5 March 2012.

Mohamed Ali Al-Neaimi
Chairman

Saleh Al Hashimi
Managing Director

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital AED	*Accumulated losses AED*	*Available-for-sale investments reserve AED*	*Total AED*
Balance at 1 January 2011	100,000,000	(30,111,618)	(270,538)	69,617,844
Loss for the year	-	(4,469,227)	-	(4,469,227)
Other comprehensive income for the year	-	-	306,866	306,866
Total comprehensive loss for the year	-	(4,469,227)	306,866	(4,162,361)
Balance at 31 December 2011	**100,000,000**	**(34,580,845)**	**36,328**	**65,455,483**

	Share capital AED	*Accumulated losses AED*	*Available-for-sale investments reserve AED*	*Total AED*
Balance at 1 January 2010	100,000,000	(21,087,620)	(70,795)	78,841,585
Loss for the year	-	(9,023,998)	-	(9,023,998)
Other comprehensive loss for the year	-	-	(199,743)	(199,743)
Total comprehensive loss for the year	-	(9,023,998)	(199,743)	(9,223,741)
Balance at 31 December 2010	100,000,000	(30,111,618)	(270,538)	69,617,844

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS

As at 31 December 2011

	Notes	*2011* *AED*	*2010* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(4,469,227)**	(9,023,998)
Adjustments for:			
Depreciation	10	**1,540,983**	1,138,071
Amortisation	11	**566,512**	565,974
Provision written back	5	**(29,200,000)**	-
Provision for doubtful receivables	7	**909,178**	-
Changes in the fair value of financial assets at fair value through profit or loss	8	**2,044,390**	1,767,662
Changes in fair value of available-for-sale financial assets		**36,660**	119,600
Impairment booked on available-for-sale financial assets	8	**415,947**	-
Loss on sale of trading securities	8	**82,855**	-
Income from Wakala deposits	8	**(935,352)**	(2,687,075)
Dividend income on securities	8	**(120,000)**	(117,032)
Provision against Qard Hassan to Participants' fund	19	**-**	4,189,974
Reversal of excess provision for Qard Hassan	19	**(7,564,441)**	-
Provision for end of service benefits	21	**267,366**	203,645
		(36,425,129)	(3,843,179)
Changes in operating assets and liabilities:			
Takaful receivables		**(5,640,874)**	(16,370,029)
Prepayments and other receivables		**387,371**	3,944,622
Retakaful asset		**(2,466,223)**	-
Takaful contract liabilities		**(240,636)**	(11,513,428)
Takaful payables		**2,798,624**	2,120,356
Qard Hassan to participants' fund	19	**-**	(4,189,974)
Recovery against Qard Hassan to participants	19	**26,103,333**	-
Other liabilities		**534,963**	1,630,553
End of service benefits paid	21	**(166,371)**	(68,131)
Cash used in operating activities		**(15,151,602)**	(28,289,210)
Income received on Wakala deposits	8	**1,394,650**	2,687,075
Dividend received	8	**120,000**	117,032
Net cash used in operating activities		**(13,636,952)**	(25,485,103)
INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(1,360,619)**	(1,196,837)
Acquisition of intangible assets	11	**(18,365)**	(195,800)
Purchase of financial assets at fair value through profit or loss	12	**(1,803,576)**	(2,005,510)
Proceeds from sale of trading securities		**1,159,608**	-
Wakala deposits encashed during the year		**36,043,403**	32,760,509
New Wakala deposits made during the year		**(5,000,000)**	(3,577,402)
Net cash from / (used in) investing activities		**29,020,451**	25,784,960
Net increase in cash and cash equivalents		**15,383,499**	299,857
Cash and cash equivalents at 1 January	16	**2,602,131**	2,302,274
CASH AND CASH EQUIVALENTSAT THE END OF THE YEAR	16	**17,985,630**	2,602,131

The attached notes 1 to 28 form part of these financial statements.

1 CORPORATE INFORMATION

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 carries out general takaful (Insurance) retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of UAE Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

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

By a resolution of its Extraordinary General Meeting held on 8 April 2011, the shareholders of the Company resolved to change the English name of the Company from Takaful House PJSC to Dar Al Takaful PJSC.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention
The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of income and the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable requirements of UAE Companies Law of 1984 (as amended) and UAE Federal law no 6 of 2007 related to Takaful companies.

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.

Presentation
The statements of income and comprehensive income of the Company present separately the profit and loss, and the comprehensive income attributable to the participants and to shareholders.

The statement of financial position presents separately participants' fund and shareholders' fund assets and liabilities.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- IFRIC 19 Extinguishing financial liabilities with equity instruments effective 1 July 2010
- Improvements to IFRSs (May 2010), the effective date of each amendment is included in the IFRS affected

The adoption of the above standards is described below:

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

IFRIC 19 Extinguishing financial liabilities with equity instruments
The IFRIC clarified that equity instruments issued in a debt for equity swap transactions should be measured at the fair value of the equity instrument issued. If the fair value of the equity instrument issued is not reliably determinable, the equity instrument should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity issued is recognised in profit or loss. This interpretation is effective prospectively for financial years beginning on or after 1 July 2010. The adoption of this interpretation has no effect on profit or loss nor equity of the Company as the Company has not entered into such debt for equity swap transactions.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies and disclosures, but had no impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.
Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company.

IFRS 3 Business Combinations
The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011.

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRIC 13 *Customer Loyalty Programmes (determining the fair value of award credits)*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IASB Standards and Interpretations issued at 31 December 2011 but not effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

IASB Standards and Interpretations issued at 31 December 2011 but not effective *(continued)*

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition.. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gross Contributions
Gross takaful written contributions comprise the total contributions receivable for the whole year of cover provided by contracts entered into during the accounting year and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting year for contributions receivable in respect of business written in prior accounting year. Contributions collected by intermediaries but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written.

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated as the higher of the amount determined on a daily prorate basis or "1/365" method and the requirements of UAE regulations on insurance companies as stated in the policy for takaful contract liabilities. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retakaful
The Company cedes takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income. Ceded retakaful arrangements do not relieve the Company from its obligations to Participants.

Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Discounts earned
Discounts earned are recognised at the time policies are written. Discount receivable on outwards retakaful contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Claims
Claims consist of amounts paid and payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred. Provision for incurred but not reported claims is included within the outstanding claims.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Retakaful share of claims
Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the relevant contract.

Policy acquisition costs
Commissions and other costs directly related to the acquisition and renewal of takaful contracts are charged to the statement of income when incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future takaful contributions. Amortisation is recorded in the income statement.

General and administration expenses
Administration expenses are charged to the statement of income of shareholders's fund. Expenses related to participants are allocated to Income statement of Participant's fund on the basis of guidelines issued by the Sharia and Supervisory board.

Liability adequacy test
At each statement of financial position date the Company assesses whether its recognised takaful contract liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful contract liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment income

(i) Income from investment and wakala deposits is recognised on a time proportion basis.
(ii) Dividend income is accounted for when the right-to-receive payment is established.

Realised gains and losses

Realised gains and losses recorded in the statement of income on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Segment reporting

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

a. Takaful segment offers short term takaful contracts. Revenue from this segment is derived from takaful contribution, fees and discounts, investment income and fair value gains and losses on investments.
b. The investment segment includes investment in equity and fixed income securities such as fixed deposits. Revenue from this segment is derived from Wakala and Mudarib fees, investment income and fair value gains and losses on investments.

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. Unallocated administrative expenses are managed on a group basis and are not allocated to individual operating segments.

Product classification

Takaful contracts (Insurance contracts) are those contracts where a group of participants (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic insurance operations, in consideration of a Wakala fee. The contribution amounts (premiums) paid net of the Wakala fee are considered as funds available for Mudarib, where the Company acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, if any. The participants further donate their contribution to those other participants who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent. As a general guideline, the Company determines whether there is significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

In case of deficit in participants operation, such deficit is funded by the shareholders as a Quard Hassan loan.

The Company does not have any investment contracts or any takaful contracts with Discretionary Participation Features (DPF).

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) are not depreciated.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

• Building:	40 years
• Furniture and fixtures	4 years
• Office equipment	3 years

The assets' residual values, and useful lives and method are reviewed and adjusted if appropriate at each financial year end.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are amortised over the useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Amortisation is calculated on a straight line basis over the estimated useful lives of the assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax profit rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded investment securities or other available fair value indicators.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised 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 reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of Wakala deposits earning a profit rate which is determined on monthly basis is its carrying value. The carrying value is the cost of the deposit and earned profit. The fair value of fixed/capped profit rate Wakala deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current profit rates used in the market for similar instruments at the reporting date.

Financial Assets

Initial recognition and subsequent measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)
The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

The Company's financial assets include cash and Wakala deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include 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, in accordance with a documented risk management or investment strategy.

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 statement of income.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as held to maturity or loans and advances. These investments are initially recorded at fair value. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in the statement of comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in the statement of comprehensive income are transferred to the statement of income.

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 the assets within the time frame generally established by regulation or convention in the market place.

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

a) for assets carried at fair value, impairment is the difference between cost and the fair value;
b) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retakaful contracts held
The company cedes takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful policies and are in accordance with the related retalaful contract.

Retakaful assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful. The impairment loss is recorded in the statement of income of the participants.

Gains or losses on buying retakaful are recognised in the statement of income immediately at the date of purchase and are not amortised.

Ceded retakaful arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes retakaful risk in the normal course of business for general takaful contracts where applicable. Contribution and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Contribution and claims are presented on a gross basis for both ceded and assumed retakaful. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contribution or fees to be retained.

Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract.

Takaful receivables
Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit method. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Qard Hassan and deficit in participants' fund
The deficit in participants' funds represents accumulated losses on participants' operations. Such a deficit is funded by the Shareholders as a 'Qard Hassan' loan which is tested annually for impairment. In the event, any or all of the deficit in participants' funds is not recoverable, from future surpluses, the amount that is considered impaired is charged off to the shareholders' statement of income.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Takaful contract liabilities

(i) Reserve for unearned contributions
Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated as the higher of the amount determined on a daily prorata basis or "1/365" method and the requirements of UAE regulations on insurance companies. This law requires maintaining a minimum reserve of 40% of annual gross contribution net of retakaful for all classes of takaful except marine which is calculated at 25%.

The proportion attributable to a subsequent period is deferred as a provision for unearned contributions.

(ii) Outstanding claims
Outstanding claims are recognised when valid claims are made. Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims and therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

(ii) Additional reserve
A provision is made for the estimated excess of potential claims over unearned contribution and for claims incurred but not reported at the financial position date.

The reserves represent management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims

Payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service year. The expected costs of these benefits are accrued over the year of employment.

With respect to its national employees and employees from other GCC countries, the Company makes contributions to the Government Social Insurance Scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
The Company's presentation currency is the UAE Dirham (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when it relates to items when gains or losses are recognised directly in comprehensive income. The gain or loss is then recognised net of the exchange component in other comprehensive income.

Events after the reporting date
The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, trading securities, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit.

The Company classifies investments as fair value through profit or loss if management evaluates their performance on a fair value basis.

All other investments are classified as available-for-sale.

Impairment of equity investments
The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims, whether reported or not
Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Provision for outstanding claims, whether reported or not (continued)
In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends or other peer companies comparison methods. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on takaful receivables
The Company reviews its takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant takaful receivables, the Company also makes a collective impairment provision against takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Retakaful
The Company is exposed to disputes with, and possibility of defaults by, its retakaful companies. The Company monitors on a quarterly basis the evolution of disputes and the strength of its retakaful companies.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

3 SEGMENTAL INFORMATION

Primary segment information
For management purposes the Company is organised into two business segments, general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Company on behalf of Participants. Investment comprises investment and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

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

3 SEGMENTAL INFORMATION (continued)

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

		Year ended 31 December 2011			
	Notes	*General Takaful management AED*	*Investment AED*	*Adjustment and eliminations AED*	*Total AED*
Gross contributions written	4	**35,883,610**	-	-	**35,883,610**
Changes in unearned contributions	4	**4,742,164**	-	-	**4,742,164**
Contributions earned	4	**40,625,774**	-	-	**40,625,774**
Contributions ceded to retakaful	4	**(6,943,119)**	-	-	**(6,943,119)**
Net contribution revenue	4	**33,682,655**	-	-	**33,682,655**
Claims (net of retakaful share)	5	**(21,639,174)**	-	-	**(21,639,174)**
Provision no longer required		**29,200,000**	-	-	**29,200,000**
Net underwriting expenses		**(3,509,890)**	-	-	**(3,509,890)**
Net underwriting income		**37,733,591**	-	-	**37,733,591**
General and administrative expenses	7	**(2,128,495)**	**(20,050,498)**	-	**(22,178,993)**
Mudarib's share	6	**(6,385)**	**6,385**	-	-
Wakala (fees) / income	6	**(9,492,169)**	**9,492,169**	-	-
Investment income	8	**(3,209)**	**(1,481,724)**	-	**(1,484,933)**
Recovery against Qard Hassan	19	**(26,103,333)**	-	-	**(26,103,333)**
Reversal of excess provision	19	-	**7,564,441**	-	**7,564,441**
Profit / (Loss) for the year		-	**(4,469,227)**	-	**(4,469,227)**
Other comprehensive loss/(income)	8	**(36,660)**	**306,866**	-	**270,206**
Total comprehensive loss for the year		**(36,660)**	**(4,162,361)**	-	**(4,199,021)**

3 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

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

	General Takaful Management AED	*Investment AED*	*Total AED*
Total assets	**60,719,342**	**84,117,206**	**144,836,548**
Total liabilities	**75,918,327**	**3,733,464**	**79,651,791**
Depreciation (Note 10)	-	**1,540,983**	**1,540,983**
Amortisation (Note 11)	-	**566,512**	**566,512**
Capital expenditures (Notes 10 and 11)	-	**1,378,984**	-

Year ended 31 December 2010

	Notes	*General Takaful management AED*	*Investment AED*	*Adjustment and eliminations AED*	*Total AED*
Gross contributions written	4	44,288,658	-	-	44,288,658
Changes in unearned contributions	4	(13,357,921)	-	-	(13,357,921)
Contributions earned	4	30,930,737	-	-	30,930,737
Contributions ceded to retakaful	4	(4,189,873)	-	-	(4,189,873)
Net contribution revenue	4	26,740,864	-	-	26,740,864
Claims (net of retakaful share)	5	(18,049,162)	-	-	(18,049,162)
Net underwriting expenses		(5,360,021)	-	-	(5,360,021)
Net underwriting loss		3,331,681	-	-	3,331,681
General and administrative expenses	7	(917,373)	(12,355,151)	-	(13,272,524)
Mudarib's share	6	(12,186)	12,186	-	-
Wakala (fees) / income	6	(6,622,358)	6,622,358	-	-
Investment income	8	149,862	886,583	-	1,036,445
Loss for the year		(4,070,374)	(4,834,024)	-	(8,904,398)
Other comprehensive loss		(119,600)	(199,743)	-	(319,343)
Total comprehensive loss for the year		(4,189,974)	(5,033,767)	-	(9,223,741)

3 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

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

	General Takaful Management *AED*	*Investment* *AED*	*Total* *AED*
Total assets	28,282,260	95,208,049	123,490,309
Total liabilities	69,547,918	2,863,439	72,411,357
Depreciation (Note 10)	-	1,138,071	1,138,071
Amortisation (Note 11)	-	565,974	565,974
Capital expenditures (Notes 10 and 11)	-	1,392,637	1,392,637

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 NET CONTRIBUTIONS

	31 December 2011		
	Gross ***AED***	***Retakaful share*** ***AED***	***Net*** ***AED***
Takaful contracts: Gross contributions written	**35,883,610**	**(8,252,741)**	**27,630,869**
Movement in provision for unearned contributions	**4,742,164**	**1,309,622**	**6,051,786**
Takaful contributions revenue	**40,625,774**	**(6,943,119)**	**33,682,655**
Unearned contributions as of 31 December (Note 17)	**(16,931,745)**	**3,137,709**	**(13,794,036)**

	31 December 2010		
	Gross *AED*	*Retakaful share* *AED*	*Net* *AED*
Takaful contracts: Gross contributions written	44,288,658	(4,704,544)	39,584,114
Movement in provision for unearned contributions	(13,357,921)	514,671	(12,843,250)
Takaful contributions revenue	30,930,737	(4,189,873)	26,740,864
Unearned contributions as of 31 December (Note 17)	(21,673,909)	1,828,087	(19,845,822)

5 CLAIMS INCURRED

	31 December 2011		
	Gross AED	**Retakaful share AED**	**Net AED**
Takaful claims paid	**24,599,263**	**(6,305,015)**	**18,294,248**
Movement in provision for outstanding claims (Note 17)	**3,542,193**	**(1,156,601)**	**2,385,592**
Movement in provision for additional reserves (Note 17)	**959,334**	**-**	**959,334**
Claims recorded in the statement of income	**29,100,790**	**(7,461,616)**	**21,639,174**

	31 December 2010		
	Gross AED	*Retakaful share AED*	*Net AED*
Takaful claims paid	44,359,247	(269,598)	44,089,649
Changes in provision for outstanding claims (Note 17)	(26,040,487)	-	(26,040,487)
Movement in provision for additional reserves (Note 17)	-	-	-
Claims recorded in the statement of income	18,318,760	(269,598)	18,049,162

6 WAKALA FEES AND MUDARIB'S SHARE

Wakala fees
The shareholders manage the takaful operations for the participants and charge Wakala fee and contribution. With effect from 1 January 2011, the policy to charge Wakala fee was changed. As per the revised policy, the Wakala is charged on gross contribution without deduction of policy acquisition cost.

Wakala fee for the year ended 31 December 2011 amounted to AED 9,492,169 (Year 2010: AED 6,622,358). The fee has been calculated @ 30% of gross contribution of AED 35,883,610 (Year 2010: AED 44,288,658) without any deduction of policy acquisition cost (Year 2010: AED 5,451,111).

For major customers with high portfolio contribution, the Wakala fee is charged to the statement of income in line with the earned portion of the related policy premium. The proportion attributable to subsequent year deferred as unearned Wakala amounted to AED 858,499 (Year 2010: AED 555,269) (Note 15).

Mudarib share
The shareholders also manage the participants' investment funds and charge Mudarib's fee. With effect from 1Januray 2011, the policy to charge Mudarib share was changed. As per the revised policy the Mudarib share is charged @ 50% (Year 2010: 10%) of realised investment income. During the year, Mudarib's share amounted to AED 6,385 (Year 2010: AED 12,186) and was charged on total realised investment income amounting to AED 12,769 (Year 2010: AED 152,014).

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 AED	*2010 AED*
Staff cost	**14,954,716**	7,841,866
Marketing expenses	**731,239**	81,844
Administrative expenses	**3,465,705**	3,642,103
Depreciation and amortisation	**2,026,935**	1,704,045
Provision for doubtful debts (Note 14)	**909,178**	-
Other expenses	**91,220**	2,666
	22,178,993	13,272,524
Allocated to:		
Shareholders	**20,050,498**	12,355,151
Participants	**2,128,495**	917,373
	22,178,993	13,272,524

8 INVESTMENT INCOME

	31 December 2011		
	Participant AED	*Shareholder AED*	*Total AED*
Fair value gains and (losses)			
Financial assets at fair value through profit or loss account (Note 12)	(15,978)	(2,028,412)	(2,044,390)
Impairment loss on Available-for-sale financial assets (Note 12)	-	(415,947)	(415,947)
Realised gains and (losses)			
Loss on trading of securities	-	(82,855)	(82,855)
Other investment income			
Income from Wakala deposits	9,862	925,490	935,352
Dividend income on trading of securities	2,907	120,000	122,907
Investment income through profit or loss	**(3,209)**	**(1,481,724)**	**(1,484,933)**

	31 December 2010		
	Participant AED	*Shareholder AED*	*Total AED*
Fair value gains and (losses)			
Financial assets at fair value through profit or loss account (Note 12)	(2,152)	(1,765,510)	(1,767,662)
Other investment income			
Income from Wakala deposits	152,014	2,535,061	2,687,075
Dividend income on trading of securities	-	117,032	117,032
Investment income through profit or loss	149,862	886,583	1,036,445

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

9 BASIC AND DILUTED LOSS PER SHARE

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

	2011 *AED*	*2010* *AED*
Net loss for the year	**(4,469,227)**	(9,023,998)
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Basic and diluted loss per share	**(0.044)**	(0.090)

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

10 PROPERTY AND EQUIPMENT

	Building *AED*	*Furniture and fixtures* *AED*	*Office equipment* *AED*	*Capital work in progress* *AED*	*Total* *AED*
Cost:					
At 1 January 2011	10,226,500	2,325,019	1,660,987	33,500	14,246,006
Additions	-	359,586	227,133	773,900	1,360,619
Transfers	-	32,000	-	(32,000)	-
At 31 December 2011	**10,226,500**	**2,716,605**	**1,888,120**	**775,400**	**15,606,625**
Depreciation:					
At 1 January 2011	490,020	513,733	920,766	-	1,924,519
Charge for the year	255,664	753,392	531,927	-	1,540,983
At 31 December 2011	**745,684**	**1,267,125**	**1,452,693**	-	**3,465,502**
Net carrying amount:					
At 31 December 2011	**9,480,816**	**1,449,480**	**435,427**	**775,400**	**12,141,123**

	Building *AED*	*Furniture and fixtures* *AED*	*Office equipment* *AED*	*Capital work in progress* *AED*	*Total* *AED*
Cost:					
At 1 January 2010	10,226,500	1,487,390	1,293,959	41,320	13,049,169
Additions	-	829,809	367,028	-	1,196,837
Transfers	-	7,820	-	(7,820)	-
At 31 December 2010	10,226,500	2,325,019	1,660,987	33,500	14,246,006
Depreciation:					
At 1 January 2010	234,357	100,119	451,972	-	786,448
Charge for the year	255,663	413,614	468,794	-	1,138,071
At 31 December 2010	490,020	513,733	920,766	-	1,924,519
Net carrying amount:					
At 31 December 2010	9,736,480	1,811,286	740,221	33,500	12,321,487

Included in buildings are the Company's office in Jumeirah Lake Towers, Dubai with a carrying value of AED 8,901,391 (2010: AED 9,141,428). As of 31 December 2011, the management estimated the fair value of the office at AED 4.6 (2010: AED 4.5 million). However, management considers that the office suffers no impairment as its value in use is assessed to be not less than the carrying amount at 31 December 2011.

11 INTANGIBLE ASSETS

	2011 AED	2010 AED
Cost:		
At the beginning of the year	**1,687,220**	1,491,420
Additions during the year	**18,365**	195,800
At 31 December	**1,705,585**	1,687,220
Accumulated amortisation:		
At the beginning of the year	**(814,544)**	(248,570)
Amortisation charge for the year	**(566,512)**	(565,974)
At 31 December	**(1,381,056)**	(814,544)
Net carrying amount:		
At 31 December	**324,529**	872,676

Intangible assets represent an ERP solution acquired by the Company for its takaful business.

12 FINANCIAL INSTRUMENTS

The Company's financial instruments other than derivative financial instruments are summarised by categories as follows:

	2011 AED	2010 AED
Investment securities		
Financial assets at fair value through profit or loss	**3,098,840**	4,582,118
Available-for-sale financial assets	**741,506**	887,245
	3,840,346	5,469,363

	2011 AED	2010 AED
Investment securities attributable to:		
Shareholders		
Financial assets at fair value through profit or loss	**3,042,700**	4,510,000
Available-for-sale financial assets	**585,766**	694,845
	3,628,466	5,204,845
Participants		
Financial assets at fair value through profit or loss	**56,140**	72,118
Available-for-sale financial assets	**155,740**	192,400
	211,880	264,518

12 FINANCIAL INSTRUMENTS (continued)

The following table compares the fair values of the financial instruments to their carrying values as at December 31:

2011		***Carrying value AED***	***Fair value AED***
Financial assets at fair value through profit or loss	(a)	**3,098,841**	**3,098,841**
Available-for-sale financial assets	(b)	**741,505**	**741,505**
		3,840,346	**3,840,346**

2010		*Carrying value AED*	*Fair value AED*
Financial assets at fair value through profit or loss	(a)	4,582,118	4,582,118
Available-for-sale financial assets	(b)	887,245	887,245
		5,469,363	5,469,363

(a) Financial assets at fair value through profit or loss

	2011 AED	*2010 AED*
Fair value		
Equity securities (held for trading)	**3,098,841**	4,582,118

(b) Available-for-sale financial assets

	2011 AED	*2010 AED*
Fair value		
Equity securities	**741,505**	887,245

(c) Carrying values of financial instruments other than derivative financial instruments:

	Notes	***Available for sale AED***	***Fair value through profit or loss AED***	***Total AED***
At 1 January 2011		**887,245**	**4,582,118**	**5,469,363**
Purchases during the year		**-**	**1,803,576**	**1,803,576**
Sold during the year		**-**	**(1,242,463)**	**(1,242,463)**
Fair value loss recorded in the statement of income	8	**-**	**(2,044,390)**	**(2,044,390)**
Fair value loss recycled to statement of income		**207,140**	**-**	**207,140**
Impairment booked during the year		**(415,947)**	**-**	**(415,947)**
Fair value gain recorded in the statement of comprehensive income		**63,067**	**-**	**63,067**
At 31 December 2011		**741,505**	**3,098,841**	**3,840,346**

12 FINANCIAL INSTRUMENTS (continued)

	Notes	*Available for sale AED*	*Fair value through profit or loss AED*	*Total AED*
At 1 January 2010		1,206,588	4,344,270	5,550,858
Purchases during the year		-	2,005,510	2,005,510
Fair value (loss) recorded in the statement of income	8	-	(1,767,662)	(1,767,662)
Fair value (loss) recorded in the statement of comprehensive income		(319,343)	-	(319,343)
At 31 December 2011		887,245	4,582,118	5,469,363

(d) Determination of fair value and fair values hierarchy

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

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

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

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

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

Financial instruments recorded at fair value
Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments in limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

13 WAKALA DEPOSITS AND STATUTORY DEPOSITS

	2011 *AED*	*2010* *AED*
Wakala deposits (a)	**8,500,000**	40,002,702
Wakala deposits held as statutory deposits (b)	**6,000,000**	6,000,000
	14,500,000	46,002,702
Attributable to:		
Shareholders including statutory deposits	**14,500,000**	43,375,263
Participants	-	2,627,439
	14,500,000	46,002,702

(a) Wakala deposits have a fixed maturity of 3 to 6 months from the date of deposit and carry profit rate of 0.77% % to 1.75% (Year 2010: 3% to 3.75%).

(b) Wakala deposits held as statutory deposits have a fixed maturity of one year from the date of deposit and carry profit rate of 1.4% (2010: 3.75%). These represent the amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of the Federal Law No. 6 of 2007.

Wakala deposits of AED 132,000 (Year 2010: AED 136,525) are held as cash margins against bank guarantees (Note 28). Wakala deposits are held with a related party (Note 24)

14 TAKAFUL RECEIVABLES

	2011 *AED*	*2010* *AED*
Contributions receivable	**14,125,455**	13,542,947
Receivable from other insurance companies	**9,237,738**	6,585,476
Receivable from Reinsurance companies (a)	**31,606,104**	29,200,000
	54,969,297	49,328,423
Less: Provisions for doubtful receivables	**(1,389,178)**	(29,680,000)
	53,580,119	19,648,423

All of the above amounts are due within twelve months of the reporting date. The retakaful shares of claims not received by the Company at the reporting date are disclosed in note 17. The amounts due from retakaful are normally settled on a quarterly basis.

As at 31 December 2011, contribution and insurance companies' balances receivable at nominal value of AED 1,389,178 (2010: AED 29,680,000) were impaired. Movements in provision for doubtful receivable was as follows:

	2011 *AED*	*2010* *AED*
As at 1 January	**29,680,000**	29,680,000
Charge for the year (Note 7)	**909,178**	-
Written back during the year (a)	**(29,200,000)**	-
As at 31 December	**1,389,178**	29,680,000

14 TAKAFUL RECEIVABLES (continued)

(a) A participant under a fire takaful contract filed a law suit against the Company to claim a loss due to a fire in its premises. 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 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 year ended 31 December 2009, the Company accounted for the retakaful share of the loss amounting to AED 29.2 million and made a full provision on the retakaful receivables.

On 19 December 2011, the arbitration was decided in favour of the Company ordering the retakaful companies to pay AED 31.6 m. The company reversed the provision against recovery amounting to AED 29.2 m. The remaining amount of recovery was booked as retakaful share of claim amounting to AED 1.2 m and other income amounting to AED 1.2 m.

15 PREPAYMENTS AND OTHER RECEIVABLES

	2011 *AED*	*2010* *AED*
Deposits	**272,357**	748,888
Prepaid expenses	**1,154,867**	395,343
Deferred Wakala and acquisition cost (a)	**1,318,510**	1,209,630
Other receivables	**69,342**	848,586
	2,815,076	3,202,447

	2011 *AED*	*2010* *AED*
Attributable to:		
Shareholders	**1,496,566**	1,842,611
Participants	**1,318,510**	1,359,836
	2,815,076	3,202,447

Included in the deposits is an amount of AED 55,812 (2010: AED 650,888) representing a balance held by a related party to be utilised for investment in securities on behalf of the Company (Note 24).

(a) Following is the movement in deferred wakala and acquisition cost during the year:

	Deferred Wakala AED	*Deferred acquisition cost AED*	*Total AED*
At 1 January 2011	**555,269**	**654,361**	**1,209,630**
Booked during the year	**9,795,399**	**4,101,672**	**13,897,071**
Charged to statement of income	**(9,492,169)**	**(4,296,022)**	**(13,788,191)**
At 31 December 2011	**858,499**	**460,011**	**1,318,510**

15 PREPAYMENTS AND OTHER RECEIVABLES (continued)

	Deferred Wakala AED	*Deferred acquisition cost AED*	*Total AED*
At 1 January 2010	-	-	-
Booked during the year	7,177,627	6,105,472	13,283,099
Charged to statement of income	(6,622,358)	(5,451,111)	(12,073,469)
At 31 December 2010	555,269	654,361	1,209,630

16 CASH AND BANK BALANCES

	2011 AED	*2010 AED*
Cash	**162,738**	6,376
Bank balances	**1,822,892**	2,595,755
Wakala deposits maturing within 3 months	**16,000,000**	-
	17,985,630	2,602,131
Attributable to:		
Shareholders	**16,671,107**	48,174
Participants	**1,314,523**	2,553,957
	17,985,630	2,602,131

17 TAKAFUL CONTRACT ASSESTS AND LIABILITIES

2011	***Gross AED***	***Retakaful share AED***	***Net AED***
Unearned contribution reserve (Note 4)	**16,931,745**	**(3,137,709)**	**13,794,036**
Outstanding claims (a)	**11,431,206**	**(1,156,601)**	**10,274,605**
Additional reserve (b)	**2,314,899**	-	**2,314,899**
	30,677,850	**(4,294,310)**	**26,383,540**

2010	*Gross AED*	*Retakaful share AED*	*Net AED*
Unearned contribution reserve (Note 4)	21,673,909	(1,828,087)	19,845,822
Outstanding claims (a)	7,889,013	-	7,889,013
Additional reserve (b)	1,355,565	-	1,355,565
	30,918,487	(1,828,087)	29,090,400

17 TAKAFUL CONTRACT ASSESTS AND LIABILITIES (continued)

(a) Outstanding claims

	Outstanding claims AED	***Due from retakaful AED***	***Net AED***
At 1 January 2011	**7,889,013**	**-**	**7,889,013**
Net Increase / (decrease) during the year (note 5)	**3,542,193**	**(1,156,601)**	**2,385,592**
At 31 December 2011	**11,431,206**	**(1,156,601)**	**10,274,605**

	Outstanding claims AED	*Due from retakaful AED*	*Net AED*
At 1 January 2010	33,929,500	-	33,929,500
Net decrease during the year (note 5)	(26,040,487)	-	(26,040,487)
At 31 December 2010	7,889,013	-	7,889,013

Uncertainty about the amount and timing of claims payment for all material amounts is typically resolved within one year.

(b) Additional reserves

	Outstanding reserve AED	***Due from retakaful AED***	***Net AED***
At 1 January 2011	**1,355,565**	**-**	**1,355,565**
Net (decrease) during the year (note 5)	**959,334**	**-**	**959,334**
At 31 December 2011	**2,314,899**	**-**	**2,314,899**

	Outstanding reserve AED	*Due from retakaful AED*	*Net AED*
At 1 January 2010	1,355,565	-	1,355,565
Net (decrease) during the year (note 5)	-	-	-
At 31 December 2010	1,355,565	-	1,355,565

18 TAKAFUL PAYABLES

	2011 AED	*2010 AED*
Due to third parties	**7,035,400**	3,187,410
Due to retakaful companies	**2,488,741**	3,684,329
Accruals	**174,863**	-
Unearned discount on retakaful contribution	**186,058**	214,699
	9,885,062	7,086,438

19 QARD HASSAN AND AVAILABLE FOR SALE RESERVE

	2011 AED	2010 AED
(a) Qard Hassan		
As at 1 January	**41,265,658**	37,075,684
Deficit during the year	**-**	4,189,974
Recovered during the year	**(26,103,333)**	-
As at 31 December	**15,162,325**	41,265,658
Provision against Qard Hasan		
As at 1 January	**22,726,766**	18,536,792
Provided during the year	**-**	4,189,974
Excess provision reversed during the year	**(7,564,441)**	-
Balance as at 31 December	**15,162,325**	22,726,766
Net balance as at 31 December	**-**	18,538,892

The shareholders have funded the deficit in the participants' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge with no repayment terms). During the current year the Participant fund reported a surplus amounting to AED 26,103,333 which was fully used to recover the Qard Hassan.

(b) Available for sale reserve

This reserve records fair value changes on financial instrument held at fair value through other comprehensive income of the Participants' fund.

20 OTHER LIABILITIES

	2011 AED	2010 AED
Trade and other payables	**3,028,268**	2,368,517
End of service benefits (Note 21)	**380,885**	279,890
Accrued leave salary	**324,311**	215,032
	3,733,464	2,863,439

21 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision for employees' end of service benefits were as follows:

	2011 AED	2010 AED
As at 31 December	**279,890**	144,376
Provided during the year	**267,366**	203,645
End of service benefits paid	**(166,371)**	(68,131)
Provision at 31 December	**380,885**	279,890

22 SHARE CAPITAL

	2011 *AED*	*2010* *AED*
Authorised, issued and fully paid		
100,000,000 shares of AED 1 each	**100,000,000**	100,000,000

23 RESERVES

Statutory reserve
As required by the Commercial Companies Law of 1984 (as amended) and the Company's articles of association, 10% of the net profit should be transferred to statutory reserve. No transfer has been made to statutory reserve in view of the losses incurred in the current year and prior year.

Available-for-sale reserve
This reserve records fair value changes on financial instrument held at fair value through other comprehensive income.

24 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:

	2011 *AED*	*2010* *AED*
Placements with Islamic financial institutions		
Shareholders		
Mawarid Finance PJSC (Note 13)	**14,500,000**	46,002,702
Due from related parties		
Al Jazeerah Financial Services (Note 15)	-	650,888
Due to a related party		
Mawarid Finance PJSC	**85,881**	1,029,226
Other related parties	**20,000**	200,000
	105,881	1,229,226

24 RELATED PARTIES' TRANSACTIONS (continued)

b) Transactions with related parties

Transactions with related parties included in the financial statements are as follows:

	2011 *AED*	*2010* *AED*
Income from wakala deposits		
Major Shareholders		
Mawarid Finance PJSC	**877,337**	2,687,075
Contributions earned		
Major Shareholders	**712,169**	10,873
Other related parties	**4,437,204**	6,488,335
	5,149,373	6,499,208

	2011 *AED*	*2010* *AED*
Management charges paid		
Mawarid Finance PJSC	**150,000**	650,000
Other related parties	**180,000**	-
	330,000	650,000

c) Compensation of key management personnel

	2011 *AED*	*2010* *AED*
Short-term benefits	**2,901,667**	2,199,150
Employees' end of service benefits	**199,839**	116,489
	3,101,506	2,315,639

25 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.

26 ZAKAT

Zakat as approved by the Company's Sharia'a Supervisory Board amounted to AED 0.01627 per share (2010: 0.01239 per share).

The Management has opted to communicate the amount of Zakat payable to each shareholder, requiring them to pay their share of Zakat directly.

27 RISK MANAGEMENT

(i) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management function is carried out by the Board of Directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the Board of Directors to the Managing director and Senior Vice Presidents

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Management under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

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 maximise shareholder value. Capital comprises share capital and accumulated losses and is measured at AED 65,455,483 (2010: AED 69,617,844).

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company has fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the year.

(ii) Regulatory framework

Regulators are primarily interested in protecting the rights of the participants and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

(iii) Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under takaful contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from takaful contracts by reference to the type of benefits payable to contract holders.

The management actively monitors the ALM to ensure in each year sufficient cash flow is available to meet liabilities arising from takaful contracts.

The management regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with takaful liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

27 RISK MANAGEMENT (continued)

27A Takaful risk

The principal risk the Company faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Takaful risk is basically concentrated in the motor class of business. However, the variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, fire and medical risks. These are regarded as short-term takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Motor
Motor takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has retakaful cover for such claims to limit losses for any individual claim to AED 200,000 (Year 2010: AED 200,000).

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property
Property takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property takaful contracts the main risks are fire and business interruption. The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has retakaful cover for such damage to limit losses for any individual claim to AED 350,000 (Year 2010: AED 350,000).

Liability
For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The Company has retakaful to limit losses for any individual claim to AED 200,000 (Year 2010: AED 200,000).

Medical
Medical takaful is designed to compensate the contract holders for medical costs. Personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. The Company generally does not offer medical takaful to walk-in customers and is generally offered to corporate customers with large population to be covered under the policy.The Company has retakaful to limit losses for any individual claim to AED 350,000 (Year 2010: AED 350,000).

27 RISK MANAGEMENT (continued)

27A Takaful risk (continued)

Marine
Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.
The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has retakaful to limit losses for any individual claim to AED 350,000 (Year 2010: AED 350,000).

Fire
Fire takaful is designed to compensate contract holders for damage and liability arising through loss or damage to the insured assets.

The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. The Company has retakaful to limit losses for any individual claim to AED 350,000 (Year 2010: AED 350,000).

The table below sets out the concentration of contract liabilities by type of contract:

2011	*Gross Liabilities AED*	*Retakaful share of liabilities AED*	*Net liabilities (Assets) AED*
Motor	**10,492,926**	**(584,541)**	**9,908,385**
Engineering	**136,580**	**(116,264)**	**20,316**
Fire	**391,862**	**(342,391)**	**49,471**
Liability	**303,838**	**(28,025)**	**275,813**
Others	**106,000**	**(85,380)**	**20,620**
Total	**11,431,206**	**(1,156,601)**	**10,274,605**

2010	*Gross Liabilities AED*	*Retakaful share of liabilities AED*	*Net liabilities (Assets) AED*
Motor	7,477,267	-	7,477,267
Engineering	14,726	-	14,726
Fire	83,100	-	83,100
Liability	116,941	-	116,941
Marine cargo	9,019	-	9,019
Others	187,960	-	187,960
Total	7,889,013	-	7,889,013

Geographical concentration of risks

The takaful risk arising from takaful contracts is concentrated mainly in the United Arab Emirates.

27 RISK MANAGEMENT (continued)

27A Takaful risk (continued)

Retakaful risk

In common with other takaful companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of retakaful companies. The Company deals with retakaful approved by the Board of Directors and hires external experts and brokers to select retakaful companies.

27B Financial risk

The Company's principal financial instruments are financial investments (fair value through profit or loss and available for sale securities), receivables arising from takaful and retakaful contracts, statutory deposits and cash and cash equivalents.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, profit risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company does not enter into derivative transactions.

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. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored by a credit committee on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- The Company's trading securities are managed by the brokers on behalf of the company under the supervision of the management in accordance with the guidance of Board of Directors.

- The Company's bank balances are maintained with local banks in accordance with limits set by the management. Wakala deposits are maintained with an Islamic finance company which is a related party.

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Credit risk (continued)
The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross before the effect of mitigation through the use of any collateral held or other credit arrangements.

	Notes	*2011* *AED*	*2010* *AED*
Wakala deposits	13	**14,500,000**	46,002,702
Takaful receivable	14	**53,580,119**	19,648,423
Deposits	15	**272,357**	748,888
Other receivables	15	**69,343**	848,586
Cash and cash equivalents	16	**17,985,630**	2,602,131
Retakaful share of claims	17	**1,156,601**	-
		87,564,050	69,850,730

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.
The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 December 2011	*Unimpaired*				
	High grade *AED*	*Standard grade (satisfactory)* *AED*	*Sub-standard grade (unsatisfactory)* *AED*	*Past due and impaired* *AED*	*Total* *AED*
Takaful receivable	-	**53,580,119**	--	**1,389,178**	**54,969,297**
Retakaful share of claims	-	**1,156,601**	-	-	**1,156,601**
Deposits	**272,357**	-	-	-	**272,357**
Other receivables	-	**69,343**	-	-	**69,343**
Wakala deposits	-	**14,500,000**	-	-	**14,500,000**
Bank balances and cash	**17,985,630**	-	-	-	**17,985,630**
	18,257,987	**69,306,063**	-	**1,389,178**	**88,953,228**
Less: Impairment provision (Note 14)					**(1,389,178)**
					87,564,050

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Credit risk (continued)

31 December 2010	*Unimpaired*				
	High grade AED	*Standard grade (satisfactory) AED*	*Sub-standard grade (unsatisfactory) AED*	*Past due and impaired AED*	*Total AED*
Takaful receivable	-	19,648,423	-	29,680,000	49,328,423
Deposits	748,888	-	-	-	748,888
Other receivables	-	848,586	-	-	848,586
Wakala deposits	-	46,002,702	-	-	46,002,702
Bank balances and cash	2,602,131	-	-	-	2,602,131
	3,351,019	66,499,711	-	29,680,000	99,530,730
Less: Impairment provision (Note 14)					(29,680,000)
					69,850,730

Takaful receivables comprise a large number of customers and takaful companies mainly within the United Arab Emirates. Retakaful receivables are from the retakaful companies based mainly in the UAE and some of the retakaful payable in Europe (rest of the world).

The Company's financial position can be analysed by the following geographical regions:

2011	***Assets AED***	***Liabilities AED***	***Commitments AED***
United Arab Emirates	**88,685,531**	**22,427,090**	-
Rest of the world	**267,697**	**1,917,446**	-
Total	**88,953,228**	**24,344,536**	-

2010	*Assets AED*	*Liabilities AED*	*Commitments AED*
United Arab Emirates	69,850,730	17,082,546	-
Rest of the world	-	261,422	-
Total	69,850,730	17,343,968	-

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Credit risk (continued)
The following table provides an age analysis of takaful receivables arising from takaful and retakaful contracts:

	Neither past due nor impaired	*Past due but not impaired*		*Unimpaired*		
	Up to 60 days AED	*60 to 120 days AED*	*Above 120 days AED*	*Total AED*	*Past due and impaired AED*	*Total AED*
31 December 2011	**36,491,097**	**3,836,050**	**13,252,972**	**53,580,119**	**1,389,178**	**54,969,297**
31 December 2010	11,585,376	4,052,809	4,010,238	19,648,423	29,680,000	49,328,423

For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 180 days and impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when the management is confident of recovery, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Impaired financial assets
At 31 December 2011 there are impaired contribution receivables and retakaful receivable of AED 1,389,178 (2010: AED 29,680,000). The Company records impairment allowances in a separate impairment allowance account.

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained in the form of post dated cheques and guarantees.

(a) Financial instruments – investments

Investments in financial assets represent investments in quoted shares of companies incorporated in the United Arab Emirates (Note 12).

(b) Cash and cash equivalents

Cash and cash equivalents of the Company are with Banks registered and operate in the United Arab Emirates.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its commitments associated with takaful contracts and financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Liquidity risk (continued)
The table below summarises the maturity profile of the financial assets and liabilities of the Company based on remaining undiscounted contractual obligations.

	31 December 2011				
Financial assets	*less than 3 months AED*	*3 to 12 months AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
Financial assets at fair value through profit and loss account (Note 12)	3,098,841	-	-	-	3,098,841
Available-for-sale financial assets (Note 12)	741,505	-	-	-	741,505
Wakala deposits (Note 13)	-	14,500,000	-	-	14,500,000
Takaful receivables (Note 14)	54,969,297	-	-	-	54,969,297
Deposits (Note 15)	272,357	-	-	-	272,357
Other receivables (Note 15)	69,343	-	-	-	69,343
Bank balances and cash (Note 16)	17,985,630	-	-	-	17,985,630
Retakaful share of claims (Note 17)	1,156,601	-	-	-	1,156,601
Total assets	78,293,574	14,500,000	-	-	92,793,574
Financial liabilities					
Outstanding claims (Note 17)	11,431,206	-	-	-	11,431,206
Takaful payable (Note 18)	9,885,062	-	-	-	9,885,062
Trade and other payables (Note 21)	3,028,268	-	-	-	3,028,268
Total liabilities	24,344,536	-	-	-	24,344,536

	31 December 2010				
Financial assets	*less than 3 months AED*	*3 to 12 months AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
Financial assets at fair value through profit and loss account (Note12)	4,582,118	-	-	-	4,582,118
Available-for-sale financial Assets (Note 12)	887,245	-	-	-	887,245
Wakala deposits (Note 13)	40,002,702	6,000,000	-	-	46,002,702
Takaful receivables (Note 14)	19,648,423	-	-	-	19,648,423
Deposits (Note 15)	748,888	-	-	-	748,888
Other receivables (Note 15)	848,586	-	-	-	848,586
Bank balances and cash (Note 16)	2,602,131	-	-	-	2,602,131
Total assets	69,320,093	6,000,000	-	-	75,320,093

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Liquidity risk (continued)

	31 December 2010				
Financial assets	*less than 3 months AED*	*3 to 12 months AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
Financail liabilities					
Outstanding claims (Note 17)	7,889,013	-	-	-	7,889,013
Takaful payable (Note 18)	7,086,438	-	-	-	7,086,438
Trade and other payables (Note 21)	2,368,517	-	-	-	2,368,517
Total liabilities	17,343,968	-	-	-	17,343,968

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of risk that may be accepted by the Company is monitored on a regular basis by the management. Market risk comprises three types of risk as follows.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currently the company does not have any financial asset or liability in foreign currency that may expose the company to this risk.

Profit rate risk
Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market rates. Floating rate instruments expose the Company to cash flow of profit risk, where as fixed profit rate instrument exposes the Company to fair value of profit risk.

The Company is exposed to profit rate risk on certain of its investments and bank balances. The Company limits its risk by monitoring changes in such rates.

The analysis below shows possible movements in profit rates and their impact on profitability of the company.

	Increase in basis points	***Effect on profit for the year AED***
2011		
Profit bearing assets	**+100**	**305,000**
2010		
Profit bearing assets	+100	460,027

Any movement in interest rates in the opposite direction will produce exactly opposite results.

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Price risk
Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has no significant concentration of price risk. The price risk is managed by outsourcing the trading of securities held by the company to professional brokers. However the activities of brokers are also monitored and supervised by the management.
The analysis below shows possible movements in the stock market indices and their impact on profit of the company.

	Change in equity price %	*Effect on profit and loss for the year AED*	*Effect on other comprehensive income AED*
2011			
Equity securities	**+ 20%**	**619,768**	**148,301**
2010			
Equity securities	+ 20%	916,423	177,449

Any movement in market indices in the opposite direction will produce exactly opposite results.

27C Operational risk

Operational risk is the risk of loss arising from systems 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 lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

28 COMMITMENTS AND GUARANTEES

Commitments

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

	2011 AED	*2010 AED*
Software development	**220,200**	-
Office renovation	**172,000**	-
	392,200	-

Guarantees
As at 31 December 2011, the Company has bank guarantees against labour and third party commitments for AED 132,000 (2010: AED 131,750). These are secured by cash margins of AED 132,000 (2010: AED 136,525) included in Wakala deposits. The Company has also issued financial guarantees to retakaful companies amounting to AED 52,525 (2010: AED Nil).