

**Methaq Takaful Insurance Company**  
**(Public Shareholding Company)**

**Condensed interim  
financial information for the  
three months ended 31 March 2010  
(Unaudited)**

**Methaq Takaful Insurance Company (P.S.C.)**

**Condensed interim financial information  
for the three months ended 31 March 2010**

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**Report on Review of Condensed Interim Financial Information  
to the Board of Directors of Methaq Takaful Insurance Company P.S.C.**

*Introduction*

We have reviewed the accompanying condensed interim statement of financial position of Methaq Takaful Insurance Company P.S.C. (the Company) as of 31 March 2010 and the related condensed interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the three month period then ended. Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers  
12 May 2010



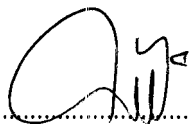
Jacques E Fakhoury  
Registered Auditor Number 379  
Abu Dhabi, United Arab Emirates

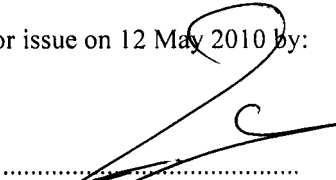
# Methaq Takaful Insurance Company (P.S.C.)

## Condensed interim statement of financial position

	Notes	31 March 2010 AED	Restated 31 December 2009 AED	31 March 2009 AED
<b>ASSETS</b>				
Property and equipment	4	3,393,168	2,719,339	3,698,306
Investment property	5	22,220,000	-	-
Financial assets				
- At fair value through profit or loss		-	-	660,000
- Held-to-maturity		-	-	109,426,299
Loan to policyholders	11	9,040,619	9,121,704	-
Takaful and other receivables	6	25,763,177	29,544,821	7,506,105
Retakaful contract assets	12	11,373,016	2,009,399	-
Deferred acquisition costs	19	5,234,317	5,547,633	-
Bank deposits with an original maturity of more than 3 months	7	49,000,000	46,000,000	6,000,000
Cash and cash equivalents	8	98,591,335	126,108,740	38,108,977
<b>Total assets</b>		<b>224,615,632</b>	<b>221,051,636</b>	<b>165,399,687</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	9	150,000,000	150,000,000	150,000,000
Legal reserve	10	1,700,807	1,700,807	1,468,282
General reserve	10	1,700,807	1,700,807	-
(Accumulated losses)/retained earnings		(966,209)	5,929,426	13,214,535
<b>Total shareholders' equity</b>		<b>152,435,405</b>	<b>159,331,040</b>	<b>164,682,817</b>
<b>Policyholders' fund</b>				
(Deficit)/surplus in policyholders' fund	11	(9,040,619)	(9,121,704)	29,875
Loan from shareholders	11	9,040,619	9,121,704	-
<b>Total policyholders' fund</b>		<b>-</b>	<b>-</b>	<b>29,875</b>
<b>LIABILITIES</b>				
Takaful contract liabilities	12	55,148,342	47,310,161	65,243
Unearned retakaful commission	17	183,470	217,296	-
End of service benefits obligation	13	370,130	430,274	130,405
Retakaful and other payables	14	7,486,540	5,237,219	427,293
Retakaful deposits retained		1,314,711	848,612	64,054
Zakat payable		7,677,034	7,677,034	-
<b>Total liabilities</b>		<b>72,180,227</b>	<b>61,720,596</b>	<b>686,995</b>
<b>Total equity and liabilities</b>		<b>224,615,632</b>	<b>221,051,636</b>	<b>165,399,687</b>

The condensed interim financial information was authorised for issue on 12 May 2010 by:

  
.....  
Chairman

  
.....  
Managing Director

The notes on pages 7 to 21 form an integral part of these condensed interim financial information.

## Methaq Takaful Insurance Company (P.S.C.)

### Condensed interim statement of comprehensive income

	Notes	Three months ended 31 March	
		2010 AED	2009 AED
<b><u>Attributable to policyholders</u></b>			
Takaful contributions	16	15,923,537	196,565
Retakaful contributions ceded	16	(2,036,965)	(160,217)
		<hr/>	<hr/>
Net earned contributions		13,886,572	36,348
Retakaful commission income	17	56,887	78
		<hr/>	<hr/>
<b>Net underwriting income</b>		<b>13,943,459</b>	<b>36,426</b>
		<hr/>	<hr/>
Gross claims incurred	18	(10,021,886)	-
Retakaful share of claims incurred	18	153,863	-
		<hr/>	<hr/>
Net claims incurred		(9,868,023)	-
Expenses for acquisition of takaful contracts	19	(2,275,547)	-
		<hr/>	<hr/>
<b>Total underwriting expenses</b>		<b>(12,143,570)</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net underwriting income</b>		<b>1,799,889</b>	<b>36,426</b>
Wakala fees	20	(1,813,360)	(6,551)
		<hr/>	<hr/>
<b>Net (loss)/profit from takaful operations for the period</b>		<b>(13,471)</b>	<b>29,875</b>
Policyholder's investment income		105,062	-
Mudarib fees	20	(10,506)	-
		<hr/>	<hr/>
<b>Net surplus of takaful results for the period</b>		<b>81,085</b>	<b>29,875</b>
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 21 form an integral part of these condensed interim financial information.

**Methaq Takaful Insurance Company (P.S.C.)****Condensed interim statement of comprehensive income**

		Three months ended 31 March	
	Notes	2010 AED	2009 AED
<b>Attributable to shareholders</b>			
Shareholders' investment income	21	1,431,114	6,857,581
Wakala fees from policyholders		1,813,360	6,551
Mudarib fees from policyholders		10,506	-
Net fair value gain on financial assets at fair value through profit or loss		-	823,908
General and administrative expenses	22	(6,400,615)	(4,094,764)
<b>(Loss)/profit for the period</b>		<b>(3,145,635)</b>	<b>3,593,276</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income</b>		<b>(3,145,635)</b>	<b>3,593,276</b>
<b>Basic earnings per share</b>	23	<b>-</b>	<b>0.02</b>

The notes on pages 7 to 21 form an integral part of these condensed interim financial information.

## Methaq Takaful Insurance Company (P.S.C.)

### Condensed interim statement of changes in equity

	Share capital AED	Legal reserve AED	General reserve AED	Retained earnings AED	Total AED
<b>Balance at 1 January 2009</b>	150,000,000	1,108,954	-	9,980,587	161,089,541
Total comprehensive income	-	-	-	3,593,276	3,593,276
Transfer to legal reserve	-	359,328	-	(359,328)	-
<b>Balance at 31 March 2009</b>	<u>150,000,000</u>	<u>1,468,282</u>	<u>-</u>	<u>13,214,535</u>	<u>164,682,817</u>

	Share capital AED	Legal reserve AED	General reserve AED	Accumulated losses AED	Total AED
<b>Balance at 1 January 2010</b>	150,000,000	1,700,807	1,700,807	5,929,426	159,331,040
Total comprehensive loss	-	-	-	(3,145,635)	(3,145,635)
Dividends paid (Note 10)	-	-	-	(3,750,000)	(3,750,000)
<b>Balance at 31 March 2010</b>	<u>150,000,000</u>	<u>1,700,807</u>	<u>1,700,807</u>	<u>(966,209)</u>	<u>152,435,405</u>

The notes on pages 7 to 21 form an integral part of these condensed interim financial information.

## Methaq Takaful Insurance Company (P.S.C.)

### Condensed interim statement of cash flows

		<u>Three months ended 31 March</u>	
	Notes	2010 AED	2009 AED
<b>Net cash generated from /(used in) operating activities</b>	25	<u>2,444,617</u>	<u>(239,558)</u>
<b>Cash flows from investing activities</b>			
Increase in bank deposits with original maturity of more than 3 months		(3,000,000)	-
Purchase of investment property	5	(22,220,000)	-
Purchase of property and equipment	4	(992,022)	(1,611,954)
<b>Net cash used in investing activities</b>		<u>(26,212,022)</u>	<u>(1,611,954)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	10	(3,750,000)	-
<b>Net cash used in financing activities</b>		<u>(3,750,000)</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(27,517,405)</u>	<u>(1,851,512)</u>
Cash and cash equivalents - beginning of the period		126,108,740	39,960,489
<b>Cash and cash equivalents - end of the period</b>	8	<u><u>98,591,335</u></u>	<u><u>38,108,977</u></u>

The notes on pages 7 to 21 form an integral part of these condensed interim financial information.

# **Methaq Takaful Insurance Company (P.S.C.)**

## **Notes to the condensed interim financial statements for the three months ended 31 March 2010**

### **1 General Information**

Methaq Takaful Insurance Company ("the Company") is a public shareholding company registered with the Department of Planning and Economy - Abu Dhabi with a trade licence number 1142419 in accordance with Federal Law number 8 of 1984 (as amended) relating to Commercial Companies in the U.A.E. The registered address of the Company is PO Box 32774, Abu Dhabi, United Arab Emirates.

The Company operates through the main office and has a branch incorporated in Dubai with a trade licence number 617826.

The principal activities of the Company are to carry out general takaful and retakaful activities.

The Company is listed on the Abu Dhabi Stock Exchange.

### **2 Accounting policies**

#### **2.1 Basis of preparation**

The condensed interim financial information is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting." The condensed interim financial information is prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2009 except as disclosed in Note 2.2.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2009.

#### **2.2 Change in accounting policy**

With effect from 1 January 2010, the Company changed its accounting policy in respect of the following:

- measurement basis of unearned contributions provision and retakaful share of unearned contributions provision;
- recognition of acquisition costs; and
- recognition of retakaful commission income.

## **Methaq Takaful Insurance Company (P.S.C.)**

### **Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)**

#### **2 Accounting policies (continued)**

##### **2.2 Change in accounting policy (continued)**

The Company now measures the unearned contributions provision (UCP) and retakaful share of unearned contributions provision (RT share of UCP) on a time apportionment basis using the 1/24 method.

The Company previously computed these reserves using fixed percentages of 25% and 40% of gross takaful contributions for marine and non-marine businesses respectively.

The Company now defers the acquisition costs proportionally over the period of coverage using the 1/24 method and in line with the gross takaful contributions. Also the Company now recognises retakaful commission income proportionally over the period of coverage and in line with the contributions ceded to the retakaful companies on the contracts issued.

These new accounting policies and changes in measurement bases have been applied retrospectively in these financial statements as if these policies have always been applied. The restatements reduced the net surplus on policyholders' fund for the period ended 31 December 2009 by AED 9,227,179 as follows:

	31 December 2009 AED
Unearned contributions provision	(15,451,882)
Retakaful share of unearned contributions provision	894,366
Deferred acquisition costs	5,547,633
Unearned retakaful commission	(217,296)
	<hr/>
Reduction in net surplus on policyholders' fund	(9,227,179)
	<hr/> <hr/>

The restatements did not have an impact on the net surplus for the period ended 31 March 2009 since the Company commenced its operations during the first quarter of 2009 and the level of takaful contributions and related accounts was minimal.

The restatements resulted in a net deficit position for the policyholders' fund as at 31 December 2009 of AED 9,121,704 and accordingly a Qard Hasan loan was established from the shareholders to the policyholders' fund.

##### **2.3 Investment property**

Property held to earn long-term rental yields and/or for capital appreciation that is not occupied by the Company is classified as investment property.

Investment property comprises a building and is carried at cost.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 2 Accounting policies (continued)

##### 2.4 Deficit in policyholders' fund

Deficits in policyholders' fund are financed by the shareholders through Qard Hasan loans.

#### 3 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

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

	<b>Three months ended 31 March 2010</b>		
	<b><u>Policyholders</u></b>	<b><u>Shareholders</u></b>	<b><u>Total</u></b>
Net underwriting income	1,799,889	-	1,799,889
Wakala fees	(1,813,360)	1,813,360	-
	<u>(13,471)</u>	<u>1,813,360</u>	<u>1,799,889</u>
Investment income	105,062	1,431,114	1,536,176
Mudarib fees	(10,506)	10,506	-
General and administrative expenses	-	(6,400,615)	(6,400,615)
<b>Profit/(loss) for the period</b>	<b><u>81,085</u></b>	<b><u>(3,145,635)</u></b>	<b><u>(3,064,550)</u></b>
<b>At 31 March 2010</b>			
<b>Total assets</b>	<b><u>54,071,369</u></b>	<b><u>170,544,263</u></b>	<b><u>224,615,632</u></b>

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 3 Segmental information (continued)

	Three months ended 31 March 2009		
	<u>Policyholders</u>	<u>Shareholders</u>	<u>Total</u>
Net underwriting income	36,426	-	36,426
Wakala fees	(6,551)	6,551	-
	<u>29,875</u>	<u>6,551</u>	<u>36,426</u>
Investment income	-	7,681,489	7,681,489
General and administrative expenses	-	(4,094,764)	(4,094,764)
<b>Profit for the period</b>	<u>29,875</u>	<u>3,593,276</u>	<u>3,623,151</u>
<b>At 31 March 2009</b>			
<b>Total assets</b>	<u>32,090</u>	<u>165,367,597</u>	<u>165,399,687</u>

The Company's underwriting business is based entirely within the United Arab Emirates. Reinsurance treaties are arranged with companies based primarily in the GCC or in Europe. The investments of the Company are held in the United Arab Emirates.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 4 Property and equipment

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
<b>Cost</b>			
At beginning of period	3,624,926	-	2,478,266
Additions	992,022	5,370,727	1,611,954
Disposals	-	(1,745,801)	-
At end of period	<u>4,616,948</u>	<u>3,624,926</u>	<u>4,090,220</u>
<b>Depreciation</b>			
At beginning of period	905,587	-	127,939
Charge for the period	318,193	1,346,978	263,975
Disposals	-	(441,391)	-
At end of period	<u>1,223,780</u>	<u>905,587</u>	<u>391,914</u>
<b>Net book amount</b>			
At end of period	<u><u>3,393,168</u></u>	<u><u>2,719,339</u></u>	<u><u>3,698,306</u></u>

#### 5 Investment property

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
At beginning of period	-	-	-
Additions	<u>22,220,000</u>	-	-
At end of period	<u><u>22,220,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Investment property comprises a building that was purchased during the period ended 31 March 2010. The building is held for long-term rental yields. However at the period end, the property's title was not transferred in the Company's name. Management is in the process of formalizing the necessary registration procedures to transfer title to the Company's name.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 6 Takaful and other receivables

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
<b>Receivables arising from takaful and retakaful contracts</b>			
Due from takaful contract holders	18,923,264	23,914,044	32,090
Prepaid excess of loss cessions	738,500	-	-
	<u>19,661,764</u>	<u>23,914,044</u>	<u>32,090</u>
<b>Other receivables</b>			
Due from related parties (note 15)	1,500,000	1,695,312	-
Prepaid expenses	1,252,347	1,189,836	832,792
Margin on letters of guarantee	254,000	84,000	45,000
Refundable deposits	437,728	192,728	114,393
Anticipated income from investment deposits	1,198,211	756,267	581,917
Advances to third parties	989,111	1,214,304	68,721
Advances to staff	470,016	479,380	201,800
Other receivables	-	18,950	5,629,392
	<u>6,101,413</u>	<u>5,630,777</u>	<u>7,474,015</u>
<b>Total takaful and other receivables</b>	<u>25,763,177</u>	<u>29,544,821</u>	<u>7,506,105</u>

All the takaful and other receivables are current receivables. The estimated fair values of the takaful and other receivables approximate to their carrying amount as at 31 March 2010, 31 December 2009 and 31 March 2009.

There is no concentration of credit risk with respect to dues from contract holders, as the Company has a large number of dispersed debtors.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 7 Bank deposits with an original maturity of more than 3 months

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
Restricted investment deposits	6,000,000	6,000,000	6,000,000
Bank deposits with an original maturity of more than 3 months	43,000,000	40,000,000	-
	<u>49,000,000</u>	<u>46,000,000</u>	<u>6,000,000</u>

In accordance with the requirements of Federal Law Number 9 of 1984 (as amended) and the UAE Federal Law Number (6) of 2007 concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 6,000,000 which cannot be utilised without the consent of the UAE Ministry of Economy and Commerce.

#### 8 Cash and cash equivalents

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
Cash on hand	54,000	74,000	44,000
Current bank accounts	5,137,335	3,634,740	5,064,977
Bank deposits with an original maturity of less than 3 months	93,400,000	122,400,000	33,000,000
	<u>98,591,335</u>	<u>126,108,740</u>	<u>38,108,977</u>

#### 9 Share capital

The authorized, issued and paid up capital of the Company as at 31 March 2010 amounted to AED 150,000,000 divided into 150,000,000 shares of AED 1 par value per share.

#### 10 Reserves

##### Dividend

At the Annual General Meeting on 28 February 2010, the shareholders of the Company approved dividend payment of 2.5% for the period ended 31 December 2009 amounting to AED 3.75 million.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 10 Reserves (continued)

##### Legal reserve

In accordance with the UAE Federal Law No. (8) of 1984, as amended, 10% of the annual profit of the Company is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company.

##### General reserve

In accordance with Article 64 of the Company's Articles of Association, 10% of the Company's net profit for the year is transferred to the general reserve.

No transfers to the legal and regulatory reserves have been made for the three month period ended 31 March 2010 as these will be effected at the end of 2010 based on the Company's results for the year.

#### 11 Policyholders' fund (Note 2.2)

	31 March 2010 AED	Restated 31 December 2009 AED	31 March 2009 AED
<u>Policyholders' fund</u>			
At beginning of period	(9,121,704)	-	-
Net surplus/(deficit) of takaful results for the period	81,085	(9,121,704)	29,875
	<u>(9,040,619)</u>	<u>(9,121,704)</u>	<u>29,875</u>
(Deficit)/surplus in policyholders' fund			
	<u>(9,040,619)</u>	<u>(9,121,704)</u>	<u>29,875</u>
<u>Loan from shareholders</u>			
At beginning of period	9,121,704	-	-
Loan granted during the period	-	9,121,704	-
Repaid during the period	(81,085)	-	-
	<u>9,040,619</u>	<u>9,121,704</u>	<u>-</u>

The deficit in the policyholders' fund is financed by the shareholders through a Qard Hasan loan.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 12 Takaful contract liabilities and retakaful contract assets

	31 March 2010 AED	Restated 31 December 2009 AED	31 March 2009 AED
<u>Retakaful contract assets</u>			
Reported claims	50,000	50,000	-
Unearned contributions provision	11,323,016	1,959,399	-
	<u>11,373,016</u>	<u>2,009,399</u>	<u>-</u>
<u>Takaful contract liabilities</u>			
Reported claims	6,688,489	6,383,795	-
Claims incurred but not reported	3,200,000	3,200,000	-
Unearned contributions provision	45,259,853	37,726,366	65,243
	<u>55,148,342</u>	<u>47,310,161</u>	<u>65,243</u>

#### 13 End of service benefits obligation

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
Balance at beginning of the period	430,274	-	73,519
Charge for the period	-	450,898	56,886
Settlements	(60,144)	(20,624)	-
	<u>370,130</u>	<u>430,274</u>	<u>130,405</u>

#### 14 Retakaful and other payables

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
Due to retakaful companies	4,772,540	2,388,676	-
Other payables	890,546	734,141	117,701
Accrued expenses	1,823,454	2,114,402	309,592
	<u>7,486,540</u>	<u>5,237,219</u>	<u>427,293</u>

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 15 Related party balances and transactions

Related parties include the shareholders, key management personnel and businesses controlled by the shareholders or over which they exercise significant management influence.

	31 March 2010 AED	31 December 2009 AED	31 March 2009 AED
<b>Related party balances (Note 6)</b>			
Due from directors	-	41,990	-
Due from a shareholder	1,500,000	1,653,322	-
	<u>1,500,000</u>	<u>1,695,312</u>	<u>-</u>

#### Related party transactions

During the period, the Company entered into the following significant transactions with related parties in the ordinary course of business at terms and conditions agreed upon between the parties.

	Three months ended	
	31 March 2010 AED	31 March 2009 AED
Gross takaful contributions	<u>92,666</u>	<u>-</u>
<b>Key management compensation</b>		
Salaries and other benefits	<u>400,000</u>	<u>-</u>

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 16 Net contributions earned

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Gross takaful contributions	23,457,024	261,808
Change in unearned contributions provision	(7,533,487)	(65,243)
<b>Takaful contributions</b>	<u>15,923,537</u>	<u>196,565</u>
Gross retakaful contributions	(10,662,082)	(160,217)
Excess of loss contributions ceded	(738,500)	-
Change in unearned contributions provision	9,363,617	-
<b>Retakaful contributions ceded</b>	<u>(2,036,965)</u>	<u>(160,217)</u>
<b>Net contributions earned</b>	<u><u>13,886,572</u></u>	<u><u>36,348</u></u>

#### 17 Retakaful commission income

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Gross retakaful commission	23,061	78
Unearned retakaful commissions at beginning of the period	217,296	-
Unearned retakaful commissions at end of the period	(183,470)	-
<b>Retakaful commission earned</b>	<u><u>56,887</u></u>	<u><u>78</u></u>

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 18 Net claims incurred

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Gross claims paid	9,528,570	-
TPA fees and roadside assistance	188,622	-
Change in provision for outstanding claims	304,694	-
Gross claims incurred	<u>10,021,886</u>	<u>-</u>
Recovered claims from retakaful contracts	(153,863)	-
<b>Net claims incurred</b>	<u><u>9,868,023</u></u>	<u><u>-</u></u>

#### 19 Expenses for acquisition of takaful contracts

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Commissions paid	1,962,231	-
Deferred acquisition costs at beginning of the period	5,547,633	-
Deferred acquisition costs at end of the period	(5,234,317)	-
<b>Acquisition costs</b>	<u><u>2,275,547</u></u>	<u><u>-</u></u>

#### 20 Wakala and Mudarib fees

The shareholders manage the takaful operations for the policyholders and charged the following range of percentages of gross takaful contributions as wakala fees.

Motor	12.5%
Medical	0 - 10%
Others	0 - 17.5%

The shareholders manage the policyholders' investment fund and charge 10% of investment income earned by policyholders' investment fund as mudarib fees.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 21 Shareholders' investment income

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Income from investment deposits	1,431,114	687,248
Return on held to maturity investment	-	6,170,333
	<u>1,431,114</u>	<u>6,857,581</u>

#### 22 General and administrative expenses

	Three months ended	
	31 March 2010	31 March 2009
	AED	AED
Salaries and related benefits	4,873,938	2,702,823
Rent	432,709	737,999
Depreciation of property and equipment (note 4)	318,193	263,975
Government and legal expenses	431,424	293,541
Communication charges	57,088	21,383
Advertising expenses	112,732	25,889
Printing, stationery and supplies	85,421	16,494
Miscellaneous expenses	89,110	32,660
	<u>6,400,615</u>	<u>4,094,764</u>

## **Methaq Takaful Insurance Company (P.S.C.)**

### **Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)**

#### **23 Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit/loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The number of ordinary shares outstanding during the period was 150,000,000 shares.

#### **24 Contingent liabilities**

(a)	31 March 2010 AED	31 March 2009 AED
Letters of guarantee	<u>6,254,000</u>	<u>6,045,000</u>

The above guarantees were issued in the ordinary course of business.

(b) The landlord of the Company's previous office premises in Dubai, which it vacated in 2009 owing to issues with the premises, has filed an arbitration case against the Company for compensation for early termination of the contract. The Company filed a counter-claim for compensation for damages incurred while occupying the premises.

No provision is recorded in the books for this dispute as management believes that the termination of the lease agreement was legitimate. Based on legal advice, management does not expect that the outcome of the arbitration will have a material effect on the results of the Company.

## Methaq Takaful Insurance Company (P.S.C.)

### Notes to the condensed interim financial statements for the three months ended 31 March 2010 (continued)

#### 25 Cash flows from operating activities

	Three months ended 31 March	
	2010 AED	2009 AED
<b>Cash flows from operating activities</b>		
(Loss)/profit for the period	(3,145,635)	3,593,276
Net surplus from takaful operations	81,085	29,875
	<hr/>	<hr/>
	(3,064,550)	3,623,151
Adjusted for:		
Depreciation on property and equipment	318,193	263,975
End of service benefits obligation	-	56,886
Fair vale loss on investments at fair value through profit or loss	-	360,033
Income from investment deposits	(1,536,176)	(687,248)
Return on held to maturity investment	-	(6,170,333)
Gain on disposal of investments at fair value through profit or loss	-	(1,183,941)
	<hr/>	<hr/>
Cash flows before payment of employees' end of service and changes in operating assets and liabilities	(4,282,533)	(3,737,477)
Payment of employees' end of service benefit obligations	(60,144)	-
Decrease in deferred acquisition cost	313,316	-
Increase in retakaful contract assets	(9,363,617)	-
Decrease/(increase) in takaful and other receivables	4,223,588	(4,182,369)
Decrease in held to maturity financial assets	-	(6,170,333)
Increase in takaful contract liabilities	7,838,181	129,297
Increase in retakaful and other payables	2,249,321	217,583
Decrease in unearned retakaful commission	(33,826)	-
Increase in retakaful deposits retained	466,099	-
Proceeds from the sale of financial assets at fair value through profit or loss	-	6,707,584
	<hr/>	<hr/>
<b>Cash generated from/(used in) operations</b>	1,350,385	(7,035,715)
Income from investment deposits	1,094,232	625,824
Return on held to maturity financial assets	-	6,170,333
	<hr/>	<hr/>
<b>Net cash generated from /(used in) operating activities</b>	2,444,617	(239,558)