Annual Report 2011

NOOR TAKAFUL

نور للتكافل

Contents

H.H. Sheikh Khalifa Bin Zayed Al Nahyan
President of the UAE

H.H. Sheikh Mohammed Bin Rashid Al Maktoum

Vice President and Prime Minister of the UAE, Ruler of Dubai

Chairman's Message

Chairman's Message

Noor Investment Group

In 2011 the UAE economy grew by 4.9%, surpassing earlier expectations, despite the on-going global economic slowdown, and although the pace of economic growth is expected to moderate to 2.5% in 2012, the country's economic recovery is set to continue. Substantial progress has been made in the debt restructuring of government-related entities and the country's financial related sector remains resilient against shocks, thanks to substantial liquidity and capital buffers. Efforts by the Dubai government to diversify its economy continue to pay dividends, creating more opportunities for SMEs, as well as greater strength and depth in the economy. Foreign Direct Investment into Dubai amounted to AED 3.4 billion in 2011 as global investors, attracted by the efficiencies in terms of operations and cost, that Dubai offers, sought to use Dubai's location as a springboard to the growing markets across the Middle East, Africa and South Asia.

During 2011 the Islamic finance industry continued to enlarge and deepen its footprint, registering 15% growth. The global Takaful industry continued its double digit growth in 2011 and grew by 19% as compared to previous years and was valued at USD $12 billion at the end of 2011, up from USD $8.8 billion the previous year. The outlook for the year ahead is equally positive with the global Islamic finance sector expected to top USD $1.1 trillion in 2012 and the global takaful market forecast is to reach USD $25 billion by 2015.

Noor Takaful delivered strong results in 2011, despite the challenging insurance market conditions. The UAE market is characterized by low insurance penetration rates and comparatively high rates of economic growth, leading to a positive outlook for the sector. The Takaful industry is currently concentrated in limited segments and business lines.

However, there is immense unrealized potential that can be achieved. Since its launch, Noor Takaful has built a strong platform to capture this opportunity and has made tremendous progress over the last few years by improving its competitive trading position.

Since our launch in 2008, the Noor brand has gained a deserved reputation for providing Shari'a compliant financial solutions with a contemporary approach. Innovation has been a corner stone of our business and we will continue to focus on the digitization of financial services by investing in the latest technology to underpin our aggressive expansion into the virtual banking arena. The priority we have given to developing true digital services has enabled us to differentiate ourselves from our competitors and to establish a niche for ourselves in the local and regional markets. Our award winning products and services have enabled us to sustain high levels of customer satisfaction, while at the same time optimizing cost and efficiency levels.

On behalf of the Board of Directors and myself, I would like to express our sincerest gratitude and appreciation for the continued support provided by the governments of UAE and Dubai, the UAE Insurance Authority, and Noor Takaful shareholders.

I would also like to express our gratitude to the support and faith shown by all our clients throughout the year. And lastly I would like to thank the members of our board, senior management and staff for their continued dedication and loyalty.

We are very confident about our present and are even more confident about our future. We foresee significant opportunities for continued growth in our takaful operations. We also have great faith in our most important asset, our employees, who share the Group's passion and aspirations. Overall, we will continue to run an efficient and lean financial services group and pursue a prudent approach to growth in line with the market realities.

H.H. Sheikh Ahmed Bin Saeed Al Maktoum
Chairman, Noor Takaful

Managing Director's Message

Managing Director's Message

Noor Takaful

When Noor Takaful Family and Noor Takaful General, collectively branded as Noor Takaful, were established in 2009, one of our goals was to achieve sustainable profitability within five years. Despite the economic turbulence over the past few years we are in a strong position to achieving this goal. While we are not immune to the economic disruption, we took important steps to align our business strategy with the market reality. During 2011 we continued to improve our overall efficiency, protect and strengthen our balance sheets and keep our growth plans under constant review to ensure our pace of growth did not outstrip our ability to continue to deliver shareholder value, innovative products and services, and high levels of customer satisfaction.

Recognising the challenging competitive environment, Noor Takaful made strong progress during 2011 by improving its competitive trading position through the introduction of a sequence of technical controls and prudent rationalization. Gross written contributions increased from AED 186 million in 2010 to reach AED 192 million in 2011. The company's drive to steadily increase its risk retention as part of its enhanced risk appetite has resulted in an increase in contribution retention ratio to 49% in 2011 compared to 42% in 2010.

Our takaful operating profit increased from AED 8.1 million (2010) to AED 13.8 million in 2011. This growth has been impacted by the roll-out of our strong distribution network coupled with our continuous focus on prudent underwriting and claims management. As Noor Takaful enters 2012 it remains committed to providing its customers with award-winning service, first class security and most importantly confident, empowered decision-making.

In 2011 alone Noor Takaful received four industry awards, recognizing our ability to create innovative products and deliver high levels of customer service and satisfaction. We remain committed to redesigning the modern Islamic insurance experience, in line with the changing needs and expectations of our customers. This customer centricity approach underpins our on-going investment in the latest technology so that we can deliver on-line and digital solutions to our customers across a range of platforms.

Throughout 2011 Noor Takaful continued to introduce innovative products and services. Noor Takaful and Ajman Bank signed a strategic partnership agreement for distribution of Noor Takaful's products through Ajman Bank, making the Islamic insurance products available to customers through the bank's branches in Ajman and Sharjah, serving the Northern Emirates region, and its branches in Abu Dhabi and Dubai. Noor Takaful also partnered with United Bank Ltd as its inaugural bancassurance and takaful provider, whereby the bank's takaful products were marketed through Noor Takaful.

The ability to innovate and enhance the customer experience at every touch point is a fundamental part of our business DNA. It is our ambition to be reference point for client service, client satisfaction, so Noor Takaful will continue to strive to be at the cutting edge of next generation mobile and online insurance developments. At the same time, we recognize that, from time-to-time, our customers want face-to-face advice on the products and services we offer. Therefore, whilst we strengthen our digital insurance footprint, we will maintain and invest in our branch network in Dubai, Sharjah and Abu Dhabi.

I am confident that, in 2012, Noor will build on its excellent performance in 2011 by delivering consistent performance, both financially and operationally. But we must be aware that we live in uncertain times, and be prepared to face any new or unexpected challenges. In the longer term, our vision to create a universal Islamic financial institution remains our ambition. We took a giant step towards that goal in 2011. I am confident we can make further strides towards it in 2012.

Dr Ahmed Al Janahi
Deputy Group CEO, Noor Investment Group
Managing Director, Noor Takaful

Board of Directors
Shari'a Board

Board of Directors

H.H. Sheikh Ahmed bin Saeed Al Maktoum

Chairman & Chief Executive, Emirates Airline & Group

Chairman of Noor Investment Group LLC

Chairman of Noor Takaful General PJSC and Noor Takaful Family PJSC

H.H. Sheikh Ahmed bin Saeed Al Maktoum is the younger brother of the late Ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum.
Sheikh Ahmed is the President of the Dubai Civil Aviation Authority, Chairman of Dubai Airports and Chairman and Chief Executive of Emirates Airline and Group. He embarked on his journey in the aviation industry in 1985 when he was appointed President of DCAA. At the same time the national carrier Emirates was also launched and he was appointed Chairman.
Sheikh Ahmed's other portfolios with the Government of Dubai include:

- Chairman of the Board of Dubai World
- Chairman of the Supreme Fiscal Committee
- Chairman of the Supreme Council of Energy
- Second Vice Chairman of the Dubai Executive Council
- Chairman Economic Development Committee
- Member of the Board of the Dubai Council for Economic Affairs
- Vice-Chairman of the Dubai World Trade Centre
- Board Member of The Dubai Corporation for Government Investment
- Chairman of the Supreme Committee - Dubai Shopping Festival Committee and Dubai Summer Surprises
- Board Member of the General Civil Aviation Authority of U.A.E.
- Chairman of the Department of Oil Affairs
- Chairman of the Supreme Council for Energy
- Chairman of Dubai Airport Free Zone Authority, Dubai Air Wing, Alliance Insurance Company, the British University in Dubai and the Dubai Power & Energy Committee and Dubai National Air Travel Agency (DNATA)

Sheikh Ahmed also holds the office of Chairman on the Board of Directors of the following institutions within the Group:

- Noor Investment Group LLC
- Noor Takaful Family PJSC
- Noor Takaful General PJSC

Sheikh Ahmed holds a Bachelors Degree from the University of Denver, Colorado, USA.

Mr. Soud Ba'alawy

Executive Chairman of Dubai Group

Mr. Soud Ba'alawy is the Executive Chairman of Dubai Group, the leading diversified financial services company of Dubai Holding. It focuses on Banking, Investments and Insurance, both at a regional and global level.

Known for his strategic insights and entrepreneurial vision, Ba'alawy was previously CEO of Dubai Investment Group and played a key role in its foundation and growth. He has more than ten years experience in banking and investment with Citigroup, and was the Vice President of Gulf Treasury in Citibank Dubai. He has also served as Chief Investment Officer of Dubai Internet City and Vice President of The Executive Office.

Mr. Ba'alawy is the Chairman of the Board Executive Committee of Noor Islamic Bank. He holds the offices of the Vice Chairman of the Board of Directors of Noor Takaful Family PJSC and Noor Takaful General PJSC and is a member of the Board of Directors of Noor Investment Group LLC.

Mr. Ba'alawy is also the Vice Chairman of Dubai Banking Group Pvt. JSC and Dubai Bank PJSC and Chairman of Dubai First Pvt.JSC and isa member of the Board of Directors of Al Wifaq Finance Company Pvt.JSC and the Emirates Investment Authority.

Mr. Ba'alawy is a member of the Executive Committee of Dubai Holding and the Chartered Institute of Management Accountants, UK.

Mr. Mahomed Akoob

Board Member of Noor Takaful Family PJSC &
Noor Takaful General PJSC
Managing Director of Hannover ReTakaful B.S.C.©
Managing Director of Hannover Rückversicherung AG (Bahrain Branch)

Mr. Mahomed Akoob is currently serving as the Managing Director of the Hannover ReTakaful B.S.C.(c) and Hannover Rückversicherung AG (Bahrain Branch), positions he has occupied since November 2006.
Prior to his current positions, Mr Akoob spent 26 years with Munich Reinsurance company of Africa Ltd. (MRoA). During this period he occupied various positions, including General Manager, a position he held for 6 years. He significantly contributed to the development and success of MRoA through a number of key initiatives, including conceptualising a cell captive insurer and implementing this through the formation of a cell captive insurer using preference shares as a cell financing solution (now an industry standard); conceptualising the introduction of an offshore reinsurance subsidiary; introducing the concept of Letters of Credit being acceptable as security instead of cash deposits to the Regulatory Authorities; introducing Fin Re and establishing it as a Fin Re Centre of Competence.
He is also accredited establishing the first Takaful Company in South Africa utilising the Underwriting Management Concept.
Mr. Akoob has extensive experience in general management, technical insurance and reinsurance underwriting, risk management and financial management having dealt with all classes of insurance and reinsurance and takaful and retakaful.

Mr. Hussain AlQemzi

Group Chief Executive Officer of Noor Investment Group LLC and Chief Executive Officer of Noor Islamic Bank PJSC

A seasoned banker with over 28 years of experience working with the leading financial institutions in the UAE, Mr. AlQemzi now leads Noor Investment Group (NIG), and its flagship entity Noor Islamic Bank (NIB) as its Group CEO.

A UAE National, Mr. AlQemzi is an insightful leader with proven experience of incubating, leading and managing strategic ventures and business transformation initiatives.

During his tenure as CEO, Noor Islamic Bank has received 19 prestigious industry awards, amongst which are Best New Bank in the Middle East, Banker Middle East Industry Awards 2009; Best Deal of the Year 2008, Islamic Finance News; Best New Product Award, Banker Middle East Product Awards 2011 and Deal of the Year 2011 in the Islamic Finance category for the European regional awards, The Banker. As a result of his achievements Mr AlQemzi was awarded the prestigious 2010 *'CEO of the Year Award'* in the Islamic Banking category at the CEO Middle East Awards.

Prior to his appointment as CEO of NIG and NIB Mr. AlQemzi was the Chief Executive of Sharjah Islamic Bank and a former Board member of Dubai Financial Market (DFM), and Dubai International Financial Exchange (DIFX).

Mr. AlQemzi also served as Chief Operating Officer of the Dubai International Financial Centre (DIFC), and is credited with laying the ground for the world class financial hub.

In addition, to his roles at NIG and NIB,Mr. AlQemzi is the Chairman of the Board of Directors of the Awqaf and Minors Affairs Foundation, Vice Chairman of Emaar Properties PJSC and is a member of the Board of Directors of the DIFC Supreme Council, DIFC Authority and Emirates Institute for Banking and Financial Studies.

Dr. Ahmed Aljanahi

Board Member and Managing Director of Noor Takaful Family PJSC & Noor Takaful General PJSC
Deputy CEO, Head of Enterprise Risk and Governance , Noor Islamic Bank PJSC

With more than 27 years of banking and insurance experience in senior and executive positions with commercial and investment banks in Bahrain and Kuwait, of which 17 years have been in Islamic investment banking. Dr. Ahmed Al Janahi is currently the Managing Director of Noor Takaful, the Deputy CEO of Noor Islamic Bank and the Deputy Group CEO of Noor Investment Group.

Prior to joining Noor Investment Group, Dr. Ahmed was the Chief Executive and Board Member of Investors Bank, Chairman and Managing Director of Takaful International and member of the Board of Directors and the Executive Committee of Bahrain Islamic Bank. He has also held Senior Executive positions in the Bank of Bahrain and Kuwait, Al Baraka Investment Bank and International Investment Group.

Dr. Ahmed has actively been part of many Boards in different fields such as Real Estate, Airline, Telecom, Banking and Insurance, in different markets during his time in the banks. He was also elected to the Board of the Bahrain Bankers Society for two terms.

Dr. Ahmed holds a PhD in Strategic Management (UK), MBA (Bahrain), MSc (UK) and BSc (Hons) (UK).

Shari’a Board

Sheikh Dr. Mohamed Ali Elgari

Chairman

Sheikh Dr. Mohamed Ali Elgari is an expert of the Islamic Fiqh Academies of Jeddah and the Islamic World League. He was Professor and Director of the Center for Research in Islamic Economics at King Abdulaziz University, Jeddah.

He is a member of Shari’a Boards of many institutions including International Islamic Financial Market, Dow Jones Islamic, Citi Islamic Investment Bank, AAOIFI, Merrill Lynch and many more.

Sheikh Dr. Mohamad Daud Bakar

Member

Sheikh Dr. Mohamad Daud Bakar is the President/ CEO of the International Institute of Islamic Finance and Amanie Business Solutions. He was the Deputy Rector of the International Islamic University of Malaysia.

He is a member of the Shari’a Advisory Council of the Central Bank of Malaysia, International Shari’a Research Academy for Islamic Finance, AAOIFI, BNP Paribas, Morgan Stanley, Islamic Bank of Asia and many more.

Mr. Amjad Nasser

Member

A certified Sharia Adviser and Auditor (CSAA), and Islamic Professional Accountant (CIPA) as recognized by AAOFI, Amjad brings 14 years of experience in the Islamic finance industry, along with strong knowledge and exposure to jurisprudence of financial transactions and Shari’a rulings in general. He was instrumental in developing products ranging from corporate, retail, treasury, SME, and trade. A founding member of Noor Islamic Bank and Noor Takaful, he heads the Sharia Governance, Advisory, Compliance, and Audit function for both companies.

He represents both Noor companies at AAOFI, the International Islamic Center for reconciliation and arbitration centre, as well as government initiated Islamic finance missions overseas. He has lectured on Islamic banking at various universities including American University of Sharjah, Duke University of DIFC, Charles University, USA, and Saint Joseph’s University, USA, University of Wollongong in Dubai (UOWD) and Emirates Institute of Banking and Financial Studies.

Product Overview

A young, vibrant, award-winning organization, **Noor Takaful** offers comprehensive personal and business coverage. Noor Takaful is committed to providing modern insurance services, interwoven with the timeless comfort of traditional Islamic values.

Product overview

All Noor Takaful products are Shari'a complaint and have been carefully designed to offer quality and value for money – making Noor Takaful an excellent option for both individuals and corporates.

Importantly, all aspects of Noor Takaful products are customized to provide maximum cover, while ensuring that the required government guidelines are met. Above all, having selected an Islamic insurance product is a noble choice in itself that brings personal comfort to the one who chooses it.

Personal solutions

Motor

Comprehensive cover for private vehicles for damage to the vehicle and liability of the driver to third parties.

Individual Medical

Comprehensive cover for expenses arising from medical care or hospitalization.

Accident

Cover which provides a fixed sum in the event of an accident causing injury or death.

Travel

Covers for flight cancellations and delay, loss of personal luggage, emergency assistance, personal liability, accident and medical expenses.

Individual Family

Flexible Plans offering investment, savings and protection against the unexpected.

Home

Cover for buildings, contents and household goods, personal effects, fixtures and fittings.

Commercial solutions

Engineering

With growth in the construction and industrial sector, the demand for the engineering Insurance has substantially increased.

Noor Takaful offers:

- Contractors All Risks - cover against loss or damage to the contract works.
- Plant All Risks - cover for plant construction machinery, and equipment.
- Erection All Risk - cover against loss or damage to the work and also liability to third parties.
- Contractor’s Plant and Machinery - cover against physical loss or damage to the covered machinery due to any cause which is accidental and unforeseen.
- Machinery Breakdown - cover against sudden and unforeseen physical damage to the covered machinery whilst at work or at rest.
- Boiler and Pressure Vessel - cover against damage to industrial boilers and pressure vessels against the risks of explosion and collapse.
- Electronic Equipment - comprehensive cover for electronic/computer related equipment.
- Deterioration of Stocks - cover for cold storage owners/hirers to loss or damage to the goods kept in cold storage.

Motor Fleet

Noor Takaful offers comprehensive fleet coverage for commercial vehicles for damage to the vehicle and liability to third parties.

Marine

Noor Takaful Marine Cargo Plans provide coverage to cargo both for export/import by sea/air and inland transit by roads. The Marine Hull plan from Noor Takaful offers the widest coverage to hull and machinery of all categories of vessels from ocean-going vessels, coastal vessels and pleasure craft etc.

- Marine Cargo - cover for goods whilst in transit by sea or air.
- Inland Transit - cover for goods whilst in transit by road.
- Marine Hull - cover for hull and machinery, wider marine liabilities, and war for ocean going vessels, coastal craft, yachts, etc.

Property

Noor Takaful offers a comprehensive range of plans to protect both property and financial losses.

- Property All Risks - comprehensive cover for property against accidental physical loss or damage.
- Fire and Special Perils - cover for property from loss or damage caused by fire and certain specified perils.
- Fire and Lightning - damage caused solely by fire and lightning.
- Business Interruption - a supplement to the Property damage cover which indemnifies against loss of earnings and ongoing fixed overheads as a result of interruption of the business.

General Accident

Noor Takaful General Accident Plans provide cover against risks that are inherent in human society, and include:

- Money Takaful - cover to protect storage as well as the physical movement of money.
- Fidelity Guarantee - covers the loss sustained to an organisation as a result of any dishonest/fraudulent act of an employee(s).
- Burglary Plan cover - for contents against theft following forcible and violent entry or exit from the premises.
- Bankers Blanket Bond - cover for banks and financial institutions in principally respect of the infidelity of the employees.
- Event Cancellation and Abandonment - cover for the loss of costs and expenses, or revenues that result from the cancellation, abandonment, postponement, interruption or relocation of an event due to uncontrollable circumstances.
- Group Personal Accident - provides a capital sum in the event of death or disablement from an accident.

Liability

Everybody engaged in commercial pursuits, whether they are industrialists, traders, or service providers have a commitment towards the safety of the general public by ensuring that their activities do not endanger the property or the physical wellbeing of others. Noor Takaful offers excellent coverage against liability to third parties and employees under various liability plans. The liability Takaful plans include:

- Professional Indemnity/Malpractice - cover for professionals against legal liability caused by negligence.
- Public Liability - covers business owners for their legal liability to others.
- Product Liability - covers for manufacturers against liability for claims raised due to injury or damage caused by a product manufactured or sold.
- Workmen's Compensation - covers employers against employee death, bodily injury and illness in the course of employment.
- Employer's Liability - covers employers against negligence resulting in employee death, bodily injury or illness in the course of employment.
- Directors and Officers Liability - covers for directors and officers from liability arising from actions connected to their corporate positions.
- Haulier's Liability - covers the liability of carriers for third party cargo.

Family

Employee benefits schemes, such as Family Takaful (by providing life and disability cover) enhance the competitive position of an organization in the labour market by way of attracting and retaining the best talent. Life and disability benefit is also tangible evidence of an organization's concern towards its employees' welfare thereby benefiting the organization through a long-serving, dedicated and loyal workforce. The Family Takaful plans include:

- Employee Benefit – comprehensive cover against death or injury for a group of persons under a common single master Takaful certificate.
- Employee Benefit Plan Extension (Comprehensive Care) - extension of the Group Family Takaful Plan incorporating most of the rider benefits due to all causes under one single master Takaful certificate.
- Mortgage Shield - cover for outstanding balances for group mortgages in the event of customer death, critical illness, or injury.
- Personal Accident (Acci-Care) - group cover for a group of persons who sustain body injury or death resulting from an accident.
- Credit Takaful (Credit Plus) - cover for credit facilities for a group of customers against untimely death or disability under a common single master Takaful certificate.
- Credit Shield Plan - cover for credit card holders under a common single master Takaful certificate to protect outstanding credit card balance in the event of an untimely death of the card holders.
- Depositors Plan - incentive cover for depositor's of bank's account holders of savings accounts in the form of death benefits proportional to savings.
- Critical Illness Plan (Critical Care) - cover for a group of persons against the event of one of more critical illness.

Medical Takaful

Noor Takaful medical plans provide excellent coverage at an affordable cost and the coverage can be tailor made to suit the requirements of any organization

Financial Statements 2011

NOOR TAKAFUL نور للتكافل

Noor Takaful Family PJSC

Director's Report
Independent Auditor's Report
Shari'a Report

Directors' report

For the year ended 31 December 2011

The directors submit their report on the activities of Noor Takaful Family (P.J.S.C) ("the Company") for the year ended 31 December 2011 together with the audited financial statements.

The principal activities of the Company are to carry out family takaful and retakaful activities in accordance with the wakala model. These activities are carried out by the Company on behalf of participants (also known as the policyholders) in accordance with Islamic Shari'a principles.

Results

The financial position of the Noor Takaful Family (PJSC) as of 31 December 2011 together with its statements of income, changes in equity and cash flows for the year then ended 31 December 2011 are set out in the accompanying financial statements.

Dividend

The directors do not propose a dividend for the year ended 31 December 2011 (2010: Nil).

Directors

The following were the directors of Noor Takaful during the year ended 31 December 2011:

H.H. Sheikh Ahmed bin Saeed Al Maktoum (Chairman)
Mr. Soud Ba'alawy (Vice-Chairman)
Mr. Hussain Al Qemzi (Member)
Dr. Ahmed Al Janahi (Member and Managing Director)
Mr. Mahomed Akoob (Member)

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

By order of the Board of Directors

Chairman
H.H. Sheikh Ahmed bin Saeed Al Maktoum

Managing Director
Dr. Ahmed Al Janahi

Independent auditor's report

To the shareholders' of Noor Takaful Family P.J.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Noor Takaful Family P.J.S.C. ("the Company"), which comprise the balance sheet as of 31 December 2011 and the income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors' determine 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Independent auditor's report

To the shareholders' of Noor Takaful Family P.J.S.C. (continued)

Opinion

In our opinion, the accompanying 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

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

a) we have obtained all the information we considered necessary for the purpose of our audit;

b) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and the Articles of Association of the Company;

c) the Company has maintained proper books of account and the financial statements are in agreement therewith;

d) the financial information included in the Directors' report is consistent with the books of account of the Company; and

e) nothing has come to our attention, which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2011.

PricewaterhouseCoopers
22 March 2012

Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Fatwa & Shari’a Supervisory Board Report

For the Financial Year Ended 31/12/2011

To the Shareholders of Noor Takaful Family
Peace and blessings of Allah be upon you,

Pursuant to article no. (24) of the articles of association of the company, we submit the following report:

We have reviewed the basis, on which the company has based, its financial results, investments that it entered into, samples of Takaful certificates underwritten by the company during the fiscal year ending on 31st of December, 2011 and other company activities for the purpose of expressing the opinion on whether the company complied with the principles and rules of Islamic Shari'a, and directives issued from our side.

The management of the company is responsible for the company activities and operations and their execution in accordance with the rules and principles of Islamic Shari'a and shall be liable for ensuring that the company operates in accordance with such rules and principles. Our scope of liability shall be limited to providing an independent lawful opinion that is based on our review of what we have gone through in addition to preparing the related report.

We have reviewed the financial results of the company and its financial structure based on its balance sheet, statement of revenues and expenses. We have also reviewed the aspects of investments that the company entered into, in addition to samples of the Takaful certificates concluded that relates to various types of Islamic Takaful insurance. Also, we have reviewed the Re-Takaful and Re-insurance agreements and the companies comprising the Reinsurance panel. In addition to reviewing the Shari’a Audit Reports prepared and submitted to us by Shari’a Department in the company.

Furthermore, we have obtained the information and interpretations that we deemed necessary for providing us with adequate evidence to give reasonable confirmation that the company has not in general breached the rules and principles of Islamic Shari'a within the scope of its activities.

We held 2 FSSB Meetings in which a number of resolutions were issued.

Fatwa & Shari’a Supervisory Board Report (continued)

For the Financial Year Ended 31/12/2011

In our opinion, we would like to highlight the following points:

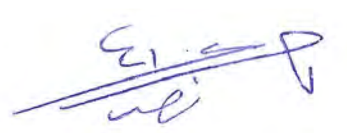
- As per its financial structure, the company has separated the account of the Takaful participants from that of the shareholders, which is regarded as the basis in the Islamic Takaful insurance. In this context, the company has prepared its balance sheet for the fiscal year ending on 31st of December, 2011 as per the lawful form which the company follows in preparing its financials.
- The company, being the Wakil (agent) of the participants in the Takaful fund has deducted, from the participants’ account the stated Wakala fee in addition to its stated common share in the profits generated from investing the assets of the Takaful fund and the stated portion of the surplus from the Takaful Fund.
- As per the information provided to us the investments that the company has entered into were acceptable and as per Shari’a requirements.
- The company has concluded reinsurance agreements as per the approved Shari’a principles.
- Based on our revision for samples of the Takaful certificates and documents used by the company, we have ensured that such policies are acceptable from the Islamic Shari'a perspective.
- Pursuant to the Articles of Association, the Company is responsible for the calculation and payment of zakat on behalf of the shareholders and participants alike. However, the company has not done so since its inception, and the FSSB has now approved the suggestion by the company that that payment of zakat should be made by the shareholders and participants themselves and that the company’s obligation in this regard is only to calculate the payable amount and notify the concerned parties to make the payment and discharge their religious obligations by themselves.
- The Advisory Authority emphasizes that the company should not use any document or contract, enter into any agreement or investment, or carries out any sort of activity unless they are approved by it (the authority) to ensure that they are in compliance with Shari'a requirements as specified by the articles of association of the company.

We pray to Allah, the Almighty that the company will be a success and wish its management all the best for the sake of its business interests. Finally, our last prayer be that praise be to Allah, the Almighty

Members of the Fatwa & Shari’a Supervisory Board - Noor Takaful Family

Dr. Mohamed Ali Elgari
Chairman

Dr. Mohd Daud Bakar
Vice Chairman



Mr. Amjad Nasser
Member

Noor Takaful Family PJSC
Financial Statements

Balance sheet

	Note	As at 31 December 2011 AED	2010 AED
ASSETS			
Cash and bank balances	6	53,957,357	53,556,812
Contributions receivable	8	21,397,979	36,216,093
Investments for participants	7(b)	68,565,100	401,386
Retakaful receivables	9	8,444,072	16,345,804
Prepayments and other receivables		6,006,544	3,929,785
Deferred acquisition costs	17	2,571,744	1,754,915
Due from a related party	14	26,944,780	7,786,277
Property and equipment	10	4,055,020	5,904,121
Total assets		191,942,596	125,895,193
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Liabilities			
Takaful and related payables	9	126,107,246	57,696,075
Retakaful payable		5,684,744	3,106,302
Accruals and other payables	11	7,407,303	7,537,052
Employees' end of service benefits	12	688,911	561,829
Due to a related party	14	5,115,645	6,148,046
Total liabilities		145,003,849	75,049,304
Shareholders’ equity			
Share capital	13	100,000,000	75,000,000
Subscribed share capital	13	-	25,000,000
Accumulated losses		(53,061,253)	(49,154,111)
Total shareholders’ equity		46,938,747	50,845,889
Total liabilities and shareholders’ equity		191,942,596	125,895,193

These financial statements were approved by the Board of Directors on 20 March 2011 and signed on its behalf by:

…………… Chairman

………… Director

The accompanying notes on pages 38 to 64 form an integral part of these financial statements.

Income statement

	Note	Year ended 31 December 2011 AED	2010 AED
Attributable to participants			
Gross contributions		107,080,538	75,515,160
Retakaful contributions ceded		(26,301,587)	(32,587,102)
Net retained contributions		80,778,951	42,928,058
Change in unearned contribution, net	9	772,545	(15,802,474)
Net earned contribution		81,551,496	27,125,584
Gross claims incurred	15	(49,161,065)	(47,586,591)
Retakaful share of claims incurred	15	13,080,697	25,702,562
Net claims incurred		(36,080,368)	(21,884,029)
Net (loss) / gain on assets held at fair value through profit or loss	7(b)	(5,295,202)	8,682
Change in reserves		(7,243,811)	(403,286)
Takaful income		32,932,115	4,846,951
Acquisition costs	17	(20,081,391)	(2,748,215)
Other takaful expenses		(783,481)	-
Takaful operating profit		12,067,243	2,098,736
Wakala fee, net	16	(16,786,623)	(7,264,765)
Profit from wakala deposits		51,425	100,503
Mudarib profit share		(4,210)	(10,050)
Deficit for the year attributable to participants		(4,672,165)	(5,075,576)

The accompanying notes on pages 38 to 64 form an integral part of these financial statements.

Income statement (continued)

	Note	Year ended 31 December 2011 AED	2010 AED
Attributable to shareholders			
Wakala fees, net	16	16,786,623	7,264,765
Profit from wakala deposits		1,885,638	1,999,255
Mudarib profit share		4,210	10,050
		18,676,471	9,274,070
Expenses			
Third party administration expenses incurred	18	(3,470,264)	(2,639,076)
General and administrative expenses	19	(9,373,219)	(25,030,511)
Commission incurred	21	(5,067,965)	-
Provision for deficit attributable to participants		(4,672,165)	(5,075,576)
Loss and total comprehensive loss for the year attributable to shareholders		(3,907,142)	(23,471,093)

Statement of changes in shareholders' equity

	Share capital AED	Subscribed share capital AED	Accumulated losses AED	Total AED
At 1 January 2010	75,000,000	-	(25,683,018)	49,316,982
Issue of shares (Note 13)	-	25,000,000	-	25,000,000
Loss for the year	-	-	(23,471,093)	(23,471,093)
At 31 December 2010	75,000,000	25,000,000	(49,154,111)	50,845,889
Transfer from subscribed share capital (Note 13)	25,000,000	(25,000,000)	-	-
Loss for the year	-	-	(3,907,142)	(3,907,142)
At 31 December 2011	100,000,000	-	(53,061,253)	46,938,747

Statement of cash flows

	Note	Year ended 31 December 2011 AED	2010 AED
Cash flows from operating activities			
Loss for the year		(3,907,142)	(23,471,093)
Adjustments for:			
Depreciation	10	2,571,251	2,784,173
Profit from wakala deposits		(1,937,063)	(2,099,758)
Provision for impairment	8	722,748	-
Provision for employees' end of service benefits	12	259,901	410,070
End of service benefit paid	12	(132,819)	(128,640)
Net loss / (gain) on assets held at fair value through profit and loss		5,295,202	(8,682)
Property and equipment written off		-	2,090,292
Net cash used in operating activities before changes in working capital		2,872,078	(20,423,638)
Deposits under lien	6	(48,052)	(166,079)
Contributions receivable	8	14,095,366	(19,056,050)
Prepayments and other receivables (excluding accrued profit on Wakala deposits)		(1,285,641)	177,164
Net movement in investment for participants (excluding fair value changes)	9 (a)	(73,458,916)	(392,704)
Retakaful receivable	9	7,901,732	1,435,512
Deferred acquisition cost - net	17	(816,829)	(1,171,780)
Due to a related party		(1,032,401)	5,498,287
Takaful and related payables		68,411,171	25,749,390
Retakaful payables		2,578,442	(7,500,957)
Accruals and other payables		(129,749)	(929,311)
Due from a related party		(19,158,503)	(7,037,746)
Net cash used in operating activities		(71,302)	(23,817,912)
Cash flows from investing activities			
Purchase of property and equipment	10	(847,150)	(1,905,376)
Proceeds from disposal of property and equipment		125,000	-
Investment in wakala deposits	6	48,236	(6,333,921)
Profit received from wakala deposits		1,145,945	1,219,415
Net cash from / (used) in investing activities		472,031	(7,019,882)
Cash flows from financing activities			
Subscription received towards share capital	13	-	25,000,000
Net increase / (decrease) in cash and cash equivalents		400,729	(5,837,794)
Cash and cash equivalents, beginning of the year		9,556,812	15,394,606
Cash and cash equivalents, end of the year	6	9,957,541	9,556,812

The accompanying notes on pages 38 to 64 form an integral part of these financial statements.

Noor Takaful Family PJSC
Notes to the Financial Statements

1 Incorporation and principal activities

Noor Takaful Family PJSC ("the Company" or "NTF") was incorporated as a Public Joint Stock Company and registered with the Securities and Commodities Authority ("SCA") on 26 March 2008 (Registration No 1012). The Company has its registered office at P.O. Box 8822, Dubai, United Arab Emirates ("UAE"). The Company is owned 90 % by Noor Investment Group LLC ("NIG") and 10 % by Noor Islamic Bank PJSC ("NIB"). NIG and NIB are entities under common control.

On 15 May 2008, the Company received its license to commence insurance operations in the UAE from the UAE Insurance Authority ("the Regulator") and commenced operations thereafter.

The principal activities of the Company are to carry out family takaful and retakaful activities in accordance with the wakala model. These activities are carried out by the Company on behalf of the participants (also known as the policyholders) in accordance with Islamic Shari'a principles.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention as modified by the revaluation of investments for participants and related liabilities for unit linked contracts. These financial statements also include the assets, liabilities, income and an expense relating to the participants' funds since the Company is constructively liable for any deficits arising in the participants' funds.

The Company's balance sheet is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and bank balances, contribution receivables, accrual and other payables. The following balances would generally be classified as non-current: property and equipment and provision for employees' end of service benefits. The following balances are of mixed nature (including both current and non-current portions): deferred acquisition costs, contribution and other receivables, retakaful receivables and payables, takaful and related payables, due from related party and due to related party.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011that would be expected to have a material impact on the Company.

Standard and amendments and interpretations to published standards which are not yet effective and have not been early adopted by the Company

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company is yet to assess the full impact of the amendments and intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2012.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standard and amendments and interpretations to published standards which are not yet effective and have not been early adopted by the Company (continued)

- IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard is not applicable until 1 January 2013 but is available for early adoption. Management has assessed that this standards should not have any impact on Company's financial statements.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income ("OCI") as they occur; to immediately recognise all past service costs; and to replace profit and expected return on plan assets with a net profit amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.

- IFRS 11, 'Joint arrangements,' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

2 Significant accounting policies (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured in United Arab Emirates Dirham ("AED") being the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in AED, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income statement.

2.3 Investments for participants

The Company classifies its investment for participants at fair value through profit or loss. These investments are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequently these investments are carried at their fair values.

Investment for participants are designated at fair value through profit or loss at inception as these are held in external funds to match takaful and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Regular-way purchases and sales of investment for participants are recognised on trade-date – the date on which the Company commits to purchase or sell the asset.

Investments for participants are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the 'Investment for participants at fair value through profit or loss' category are included in the income statement in the period in which they arise. Any related income from investment for participants at fair value through profit or loss is recognised in the income statement as part of wakala fee, when the Company's right to receive payments is established.

2 Significant accounting policies (continued)

2.4 Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

2.5 Contributions

Contributions for medical and other short term takaful contracts are recognised as revenue (earned contributions) proportionally over the period of the coverage. The portion of contribution received on in-force contracts that relates to unexpired risks at the balance sheet date is calculated on 1/365th basis and reported as unearned contribution liability. Contributions are shown before deduction of commission. In case of short-term takaful contracts such as accident and health policies and other takaful policies, mathematical reserves represent unearned contributions computed on a straight line time apportionment basis.

The Company issues long term takaful contracts with investment linked component. The Company classifies such contracts as takaful contracts based on significance of insurance risk. Takaful contracts with no significant insurance risk are classified as investment contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

For takaful contract, contributions, surrenders and maturities, changes in fair values of underlying assets and changes in reserves are recognised in the income statement. For investment contracts, changes in fair values of underlying assets and changes in reserves are recognised in the income statement and contributions and surrenders and maturities are directly recognised under investment contracts.

Liabilities for unit-linked contracts represent portfolios maintained to meet specific investment objectives of participants who bear the credit and market risks. The liabilities are carried at fair value with changes recognised in the income statement.

2.6 Retakaful ceded

Retakaful ceded are amounts paid to insurance and reinsurance companies in accordance with the retakaful contracts of the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the income statement in accordance with the terms of these contracts.

2 Significant accounting policies (continued)

2.7 Deferred acquisition costs

(a) Short term takaful contracts

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are treated as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. DAC are subsequently amortised in the income statement over the life of the contracts as the related contribution is earned.

(b) Long term takaful contracts

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognised as expenses when incurred and amortised over the claw back period.

2.8 Claims

Claims, comprising amounts payable to participants and related loss adjustment expenses, are charged to income statement as incurred. Such expenses include direct and indirect claims settlement costs which arise from events that have occurred up to the balance sheet date even if they have not been reported. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments of individual cases reported and statistical analysis for the claims Incurred But Not Reported ("IBNR") as determined by management's best estimate.

2.9 Profit from Wakala deposits

Profit from wakala deposits is recognized in the income statement on an accrual basis using the effective profit rate method and include all contractual fees that are an integral part of the effective profit rate.

2.10 Management fee

The Company manages the family takaful operations on behalf of the participants for a wakala fee, which is calculated as a proportion of gross contributions. The portions of the fee that relates to periods of risk that extend beyond the financial year are reported as deferred wakala fee. The investments of the participants are also managed by the Company for a Mudarib profit sharing arrangement.

2.11 Provisions

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

2 Significant accounting policies (continued)

2.12 Surplus/(deficits) in participants' funds

Surplus in participants' funds represents accumulated gains on takaful activities and are distributed among the participants. The timing, quantum and the basis of distribution is determined by the Company and are approved by its Shari'a board. Deficits in participants' funds are financed through Qard Hasan by the Company and thereafter fully provided for by the Company. Accordingly, assets, liabilities, revenue and expenses relating to the participants' funds are recognized in the financial statements of the Company.

2.13 Retakaful contracts

Contracts entered into by the Company with retakaful companies and conventional reinsurance companies based on approval of Shari'a Board under which the Company is compensated for losses are classified as retakaful contracts held. The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful receivables. These receivables consist of retakaful share of gross claims outstanding including IBNR and that are dependent on the expected claims and benefits arising under the related reinsured takaful contracts. Amounts recoverable from or due under retakaful contracts are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each takaful or retakaful contract.

Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense proportionally over the period of coverage.

The Company assesses its retakaful receivables for impairment on a quarterly basis. If there is objective evidence that the retakaful receivables are impaired, the Company reduces the carrying amount of the retakaful receivables to its recoverable amount and recognises that impairment loss in the income statement. Objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the retakaful receivable that the Company may not be able to receive all the amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful contract.

2.14 Provision for staff benefits

In accordance with the provisions of the UAE Federal Law No. (7), 1999, for Pension and Social Security, contributions for UAE national employees are made and deposited with the United Arab Emirates General Provision and Social Security Authority and are charged to the income statement.

Amounts due to other staff provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the statement of financial position date. This amount is charged to the statement of comprehensive income. The provision for estimated liability of employees' entitlements to annual leave and leave passage is included in other payables.

2 Significant accounting policies (continued)

2.15 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Leasehold improvements	10 years
Furniture and fittings	5 years
Office equipments	5 years
Computer equipment	3 - 5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the income statement.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalized. When capitalized, capital work-in- progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Company's accounting policies.

2.16 Contributions receivable

Contributions receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, contribution receivables are measured at amortised cost, using the effective profit rate method. The carrying value of contribution 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 income statement.

Contribution receivables are derecognised when de-recognition criteria for financial assets have been met.

2.17 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method. Liabilities are recognised for amounts to be paid for services received, whether or not billed to the Company.

2.18 Liability adequacy test

At each reporting date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claim handling and administration expenses are used. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income statement and an unexpired risk provision created.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

3 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are normally based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimate of future benefit payments and contributions arising from takaful contracts.

(i) Short term takaful contracts

The estimation of the ultimate liability arising from unpaid claims (including IBNR) under takaful contracts is the Company's critical accounting estimate. As the Company only commenced its business on 15 May 2008, there is no sufficient historical experience to base estimates and assumptions other than general industry experience and peer group companies.

Medical claims incurred and reported and incurred but not reported (IBNR) are based on third party administrator's best available estimate, which is duly reviewed for its appropriateness by management.

For all other lines of businesses, the claims incurred and reported are based on estimates provided by the claims department. IBNR provisions for those lines of businesses are based on management's best available estimate, which is duly reviewed for its appropriateness.

(ii) Long term takaful contracts

Estimates for insurance risk under long term takaful contracts are made with reference to external actuarial calculations and are based on standard industry and national mortality tables.

3 Critical accounting estimates and judgments (continued)

(b) Fair value of investment securities carried at fair value through profit or loss

The fair value of investment securities carried at fair value through profit or loss is based on the periodic valuations by fund managers and represents the net asset value of the funds at the date of valuation.

(c) Impairment of receivables

The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their terms.

4 Takaful and financial risk management

4.1 Underwriting risk

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of a takaful contract, this risk is uncertain and therefore unpredictable.

The takaful risk is limited to the extent of the share of the business accepted by the Company. The Company manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. Medical selection is also included in the Company's reflect the health condition and family medical history of the application.

The Company is liable for all takaful related events that occur during the term of the contract, even if the loss is reported after the end of the contract term. The Company reinsures insured benefits over internally approved limits in case of both short term and long term takaful contracts.

The estimates and assumptions 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 in Note 3.

4 Takaful and financial risk management (continued)

4.1 Underwriting risk (continued)

(i) Long term takaful contracts

For unit-linked contracts, the capital risk element of the takaful liabilities can be matched against the investment for participants and therefore any change in the variables used to calculate these liabilities does not have any impact on the net asset or profit of the Company. In respect of unit-linked contract, there is no uncertainty as to the amount to be paid by the Company on mortality or disability, as these are normally the coverage amounts under the policy. Reserves for mortality risk under unit-linked contracts include the reasonable possibility of significant loss due to the uncertainty of deaths among participants and rates of disability among participants.

(ii) Short term takaful contracts

The principal risk that the Company faces under short term takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

For short term life takaful and personal accident contracts, the uncertainty about the amount and timing of claims payment is typically resolved within one year except for certain medical cases. As a result, the liability claims stretch over a long period of time for such medical cases and for those cases, a larger element of the claims provision relates to IBNR. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(a) Provision for unexpired risks reserve

(i) Long term takaful contracts

The capital risk under long term takaful contracts is transferred to the participants and there is no exposure to the Company as it does not guarantee minimum unit price in the policy. The Company bears a mortality risk in that death benefits, net of reserves released, may exceed mortality charges. Mortality charges are applied monthly at attained age rates and therefore, do not require additional provisions.

(ii) Short term takaful contracts

For short term takaful contracts, provision for unexpired risks represents unearned contributions computed on a straight line time apportionment basis.

4 Takaful and financial risk management (continued)

4.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (which includes currency and profit rate risks), credit risk and liquidity risk.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by senior management. Senior management is responsible for the independent review of risk management and the control environment.

4.2.1 Market risk

(a) Foreign currency risk

The Company is not significantly exposed to foreign exchange risk as the transactions entered by the Company other than in AED are primarily in US$ which is currently pegged to the AED.

(b) Profit rate risk

With the exception of the wakala deposits placed with banks, amounting to AED 45,999,816 (2010: AED 44,000,000), the Company has no significant profit-bearing assets and as such the Company's income and operating cash flows are substantially independent of changes in market profit rates.

At 31 December 2011, had benchmark profit rate of EIBOR increased or decreased by 1%, the result and equity for the year would have been impacted by AED 459,998 (2010: AED 440,000).

4.2.2 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- retakaful receivables
- contribution and other takaful receivables; and
- cash and bank balances

4 Takaful and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Maximum exposure to credit risk before collaterals held or other credit enhancements

	2011 AED	2010 AED
Retakaful receivables (Note 9)	8,444,072	16,345,804
Contribution and other related receivables (Note 8)	21,397,979	36,216,093
Other receivables (excluding prepayments)	3,761,350	1,954,646
Cash and bank balances (excluding cash in hand)	53,934,810	53,549,138
	87,538,211	108,065,681

The above table represents a worse case scenario of credit risk exposure of the Company at 31 December 2011 and 2010 without taking account of any collateral held or other credit enhancements. The exposures set out above are based on net carrying amounts of the financial assets as reported in the balance sheet.

(a) Retakaful receivables

Retakaful risk refers to the risk an enterprise will encounter in the event that any reinsurer fails to meet its obligations assumed under the retakaful agreement. The Company primarily deals with reputable reinsurers with good financial standing.

(b) Contribution and other related receivables

Contribution receivable counterparties are duly assessed for their credit worthiness based on the volume of business transacted. Ageing of receivables is monitored against the allowed credit period set on a case to case basis. The Company does not require collateral in respect of financial assets but has the right to offset the dues against any past or future claim payments. The Company has no significant concentration of credit risk at the balance sheet date as its counterparties are well diversified. Credit risk on these receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. Receivables from takaful debtors at 31 December 2011 amount to AED 21,397,979 (2010: AED 36,216,093).

4 Takaful and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

(c) Cash and bank balances

Although the Company has significant bank balances and term deposits, management believes that the risk arising out of cash and bank balances and deposits is minimal as these are with reputable local banks with good financial standing.

4.2.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and Company's management ensures that sufficient funds are available to meet any commitments as they arise. The Company's liabilities, except for employee end of service benefits (Note 12), are primarily payable within a period of less than 1 year.

4.3 Fair value estimation

The carrying value of receivables and payables are assumed to approximate their fair values. Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgment and after consideration of uncertainties. As at 31 December 2011, the carrying values of the financial assets and liabilities approximate their fair values due to their expected short-term maturities.

4.4 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt instruments on recognised exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Other valuation techniques include where significant inputs are directly or indirectly observable from market data.

4 Takaful and financial risk management (continued)

4.4 Fair value hierarchy (continued)

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The investment contracts classified as fair value through profit or loss of the Company are measured at fair value as per level 2 hierarchy.

4.5 Financial instruments by category

At the balance sheet date, all financial assets held by the Company were classified as loans and receivables, except for cash and bank balances and Investment for participants of AED 53,957,357 (2010: AED 53,556,812) and AED 68,565,100 (2010: AED 401,386) respectively.

5 Capital management

The Company's objective when managing capital, which is defined as share capital and retained earnings / (accumulated losses), is to safeguard the Company's ability to continue as a going concern and to comply with the capital requirements as set out by the regulations.

At 31 December 2011, the Company's share capital and accumulated losses were as set out below:

	31 December 2011 AED	31 December 2010 AED
Share capital	100,000,000	100,000,000
Accumulated losses	(53,061,253)	(49,154,111)
Capital	46,938,747	50,845,889

Subsequent to the year end, at the extraordinary general meeting on 1 February 2012 the shareholders approved additional capital of AED 10 million.

6 Cash and cash equivalents

	31 December 2011 AED	31 December 2010 AED
Cash and current accounts	7,957,541	9,556,812
Investment in wakala deposits	45,999,816	44,000,000
Cash and bank balances	53,957,357	53,556,812
Less: Statutory deposit	(4,000,000)	(4,000,000)
Less: Deposits under lien	(1,379,136)	(1,331,084)
Less: Investment in wakala deposits with a maturity of more than three months	(38,620,680)	(38,668,916)
Cash and cash equivalents	9,957,541	9,556,812

At 31 December 2011, the statutory deposit of AED 4 million has been placed with NIB as a wakala deposit in accordance with Article 42 of the Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and cannot be withdrawn without the approval of the Ministry of Economy.

The deposit of AED 1.3 million (2010: AED 1.3 million) is secured against bank guarantees of AED 10 million (2010: AED 1.7 Million) issued by NIB on behalf of the Company in the normal course of business.

The wakala deposits carried a profit rate of 1.65% to 5.1 % per annum (2010: 0.9% to 5.1% per annum).

7 Investment for participants

(a) Total investment for participants

	31 December 2011 AED	31 December 2010 AED
At fair value through profit or loss		
Unquoted securities	68,565,100	401,386

(b) Movement in investment for participants

The movement in financial assets held at fair value through profit or loss is as follows:

	Year ended 31 December	
	2011 AED	2010 AED
Opening balance	401,386	-
Additions during the year	78,548,030	392,704
Disposals during the year	(5,089,114)	-
Changes in fair value	(5,295,202)	8,682
Closing balance	68,565,100	401,386

Investment for participants classified at fair value through profit or loss are designated in this category upon initial recognition.

Change in fair value of AED 5,295,202 (2010: AED 8,682) includes change in fair value for investment contracts of AED 4,220,000 (2010: AED Nil) – Note 9 (b).

8 Contributions receivables

	31 December 2011 AED	31 December 2010 AED
Gross contribution receivable	22,120,727	36,216,093
Provision for impairment	(722,748)	-
	21,397,979	36,216,093

Gross contribution receivable of AED Nil (2010: AED 9,002,525) comprises amounts due from related parties of the Company (Note 13).

The carrying amounts of contributions receivables are considered to approximate their fair values and are categorised as follows:

	Neither past due nor impaired AED	Past due but not impaired AED	Past due and impaired AED	Total AED
2011	3,465,136	17,210,095	722,748	21,397,979
2010	20,563,934	15,652,159	-	36,216,093

Neither past due nor impaired

As of 31 December 2011, receivables of AED 3,465,136 (2010: AED 20,563,934) were fully performing.

Past due but not impaired

As at 31 December 2011, contributions receivables of AED 17,210,095 (2010: AED 15,652,159) were past due but not impaired. The ageing analysis of these receivables is as follows:

Contribution receivables	31 December 2011 AED	31 December 2010 AED
91-365 days	12,831,952	10,687,389
Over 365 days	4,378,143	4,964,770
Total	17,210,095	15,652,159

Past due and *impaired*

These takaful debtors have been fully provided for.

9 Takaful payables and retakaful receivables

(a) Total takaful payables and retakaful receivables

	31 December 2011 AED	31 December 2010 AED
Takaful & related payables		
Outstanding claims reported and loss adjustment expenses	8,596,756	7,417,602
Claims incurred but not reported ("IBNR")	4,162,993	5,172,049
Unearned contributions	28,214,811	33,984,869
Takaful and investment contracts liabilities	68,565,100	401,386
	109,539,660	46,975,906
Acquisition costs payable	2,754,302	2,527,355
Other Takaful payables	13,813,284	8,192,814
	126,107,246	57,696,075
Retakaful receivables		
Outstanding claims reported and loss adjustment expenses	2,525,069	3,593,584
Claims incurred but not reported ("IBNR")	746,160	2,581,864
Unearned contributions	5,172,843	10,170,356
	8,444,072	16,345,804

(b) Investment contracts

Takaful and investment contracts liabilities of AED 68,565,100 (2010: AED 401,386) includes investment contracts issued by the Company that transfer financial risk with no significant takaful risk.

	2011 AED	2010 AED
Opening balance	-	-
Add: Investment contracts received	66,000,000	-
Less: Investment contracts repaid	(5,089,114)	-
Change in the fair value	(4,220,000)	-
Wakala fees and other charge	(4,152,927)	-
Closing balance	52,537,959	-

(c) Takaful and investment contract liabilities of AED 68,565,100 (2010: AED 401,386) includes reserves for long term takaful contracts of AED 16,027,141 (2010: AED 401,386).

10 Property and equipment

	Leasehold improvements AED	Furniture and fittings AED	Office equipment AED	Computer equipment and software AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2011	435,649	1,371,431	1,569,961	6,202,689	671,250	97,869	10,348,849
Additions	-	363,374	-	40,000	-	443,776	847,150
Disposals	-	-	-	-	(250,000)	-	(250,000)
	-			-		-	
At 31 December 2011	435,649	1,734,805	1,569,961	6,242,689	421,250	541,645	10,945,999
Accumulated depreciation							
At 1 January 2011	109,239	489,196	612,777	2,970,640	262,876	-	4,444,728
Charge for the year	36,954	434,608	313,992	1,680,614	105,083	-	2,571,251
Disposals	-	-	-	-	(125,000)	-	(125,000)
	-			-		-	
At 31 December 2011	146,193	923,804	926,769	4,651,254	242,959	-	6,890,979
Net book amount							
At 31 December 2011	289,456	811,001	643,192	1,591,435	178,291	541,645	4,055,020

10 Property and equipment (continued)

	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment and software	Motor vehicles	Capital work in progress	Total
	AED	AED	AED	AED	AED	AED	AED
Cost							
At 1 January 2010	3,509,890	1,286,431	1,261,262	4,940,295	449,000	334,339	11,781,217
Additions	263,503	85,000	103,579	718,402	222,250	512,642	1,905,376
Write offs	(3,337,744)	-	-	-	-	-	(3,337,744)
Transfers	-	-	205,120	543,992	-	(749,112)	-
At 31 December 2010	435,649	1,371,431	1,569,961	6,202,689	671,250	97,869	10,348,849
Accumulated depreciation							
At 1 January 2010	868,673	222,752	352,612	1,326,891	137,079	-	2,908,007
Charge for the year	488,018	266,444	260,165	1,643,749	125,797	-	2,784,173
Write offs	(1,247,452)	-	-	-	-	-	(1,247,452)
At 31 December 2010	109,239	489,196	612,777	2,970,640	262,876	-	4,444,728
Net book amount							
At 31 December 2010	326,410	882,235	957,184	3,232,049	408,374	97,869	5,904,121

11 Accruals and other payables

	31 December 2011 AED	31 December 2010 AED
Accrued expenses	2,502,762	2,889,727
Payable to suppliers and third party administrators	3,034,518	2,996,625
Other payables	1,870,023	1,650,700
	7,407,303	7,537,052

12 Employees' end of service benefits

	31 December 2011 AED	31 December 2010 AED
Balance at beginning of year	561,829	280,399
Charge for the year (Note 20)	259,901	410,070
Payments during the year	(132,819)	(128,640)
Balance at 31 December	688,911	561,829

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2011, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 4.25% (2010: 5%).Under this method an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% (2010: 4%).

13 Share capital

	31 December 2011 AED	31 December 2010 AED
Authorized, issued and fully paid up share capital:		
100,000,000 shares (2010: 75,000,000 shares) of AED 1 each	100,000,000	75,000,000
Subscribed share capital	-	25,000,000
	100,000,000	100,000,000

During the year the subscribed share capital was transferred to share capital after the all administrative, legal formalities for the conversion were completed. Subsequent to the year end additional capital has been approved by the shareholders (Note 5).

14 Related party transactions and balances

Related parties comprise the shareholders and directors of the Company, key management personnel, companies owned and controlled by them and those companies over which they have significant influence. The Company entered into significant transactions with shareholders and related party in ordinary course of business. Significant transactions and balances with related parties are as follows:

	Year ended 31 December	
	2011 AED	2010 AED
a) Transactions with related parties:		
Gross contributions in respect of Takaful contracts	15,965,256	9,554,351
Profit from Wakala deposit	1,448,935	1,987,077
Key management personnel remuneration	1,145,708	1,445,165
Expenses recharged to a related party (Note 19) - Net	3,907,766	3,517,341
Recharge of staff cost to a shareholder (Note 19)	1,327,407	-
Commission paid to a shareholder	4,423,500	-
Purchase of fixed assets from a shareholder	359,874	-
b) Balances arising from the above transactions:		
Due from a related party	26,944,780	7,786,277
Due to a related party	5,115,645	6,148,046
Bank balance with shareholder (Note 6)	31,814,492	53,549,135

- The amount due from a related party comprises amounts due from Noor Takaful General PJSC ("NTG"), a fellow subsidiary, in connection with expenses shared between the two entities on mutually agreed terms. The amount due from the related party does not carry any profit and does not have any fixed repayment terms.

Certain costs such as personnel costs, rent and utilities, advertising, legal and professional expenses and depreciation are incurred by NTG and the NTF, which are shared on a mutually agreed basis. Total of such costs incurred on a shared service basis and the respective share of such costs for NTG and the Company is provided below:

	2011 AED	2010 AED
NTG's share	16,169,940	16,799,628
NTF's share	1,796,660	14,215,084
Total shared service cost incurred	17,966,600	31,014,712

- The amount due to a related party comprises amounts due to NIB in connection with expenses incurred by NIB on behalf of the Company. The amount due to NIB does not carry any profit and is repayable on demand.

- During the year, the Company received funds amounting to AED 300 million from a shareholder which was then placed with financial institutions. The funds were repaid to the shareholders before the end of the year.

15 Claims incurred

	31 December 2011		
	Gross AED	Retakaful AED	Net AED
Claims and loss adjustment expenses paid	48,990,967	(15,984,916)	33,006,051
Outstanding claims	1,179,154	1,068,515	2,247,669
IBNR claims	(1,009,056)	1,835,704	826,648
Total claims and loss adjustment expenses	49,161,065	(13,080,697)	36,080,368

	31 December 2010		
	Gross AED	Retakaful AED	Net AED
Claims and loss adjustment expenses paid	42,765,334	(25,407,238)	17,358,096
Outstanding claims	2,002,743	553,098	2,555,841
IBNR claims	2,818,514	(848,422)	1,970,092
Total claims and loss adjustment expenses	47,586,591	(25,702,562)	21,884,029

16 Wakala fee

	31 December 2011 AED	31 December 2010 AED
Gross wakala fees	15,616,967	9,473,824
Changes in deferred wakala fees	1,169,656	(2,209,059)
	16,786,623	7,264,765

17 Deferred acquisition costs

	2011 AED	2010 AED
At 1 January	1,754,915	583,135
Acquisition costs incurred during the year	20,898,220	3,919,995
Amortisation charge for the year	(20,081,391)	(2,748,215)
At 31 December	2,571,744	1,754,915

Acquisition costs includes AED 4.6 million (2010: AED 1.05 million) paid to the sales staff of the Company.

18 Third party administration expenses

Third party administration expenses are fees paid to external administrators to manage claims on medical policies issued by the Company.

19 General and administrative expenses

	Year ended 31 December	
	2011 AED	2010 AED
Staff costs (Note 20)	8,394,123	17,492,747
Rent and utilities	237,636	3,462,557
Depreciation	2,571,251	2,784,173
Others	244,713	1,619,792
Advertising	1,389,217	1,120,055
IT and related	289,356	554,758
Legal and professional	652,047	409,027
Association/registration fees	284,744	355,439
Supervision and other regulatory fee	472,142	349,188
Printing and stationery	37,449	179,769
Travelling	13,271	88,347
Communication	22,443	132,000
Recharge of staff cost to a shareholder (Note 14)	(1,327,407)	-
Recharge of expenses to Noor Takaful General PJSC (Note 14) - Net	(3,907,766)	(3,517,341)
	9,373,219	25,030,511

Recharge of expenses to Noor Takaful General PJSC comprises recharge of staff costs of AED 1,968,445 (2010: 542,211) and recharge of other expenses of AED 1,939,321 (2010: AED 2,975,130). These expenses are shown net of recharge of expenses from NTG of AED 1,298,447 (2010: AED 6,245,357).

20 Staff costs

In addition to disclosure in Note 17, other staff costs are provided below:

	Year ended 31 December	
	2011 AED	2010 AED
Salary and allowances	8,134,222	17,082,677
Employees' end of service benefit (Note 12)	259,901	410,070
	8,394,123	17,492,747

21 Commission incurred

Commission incurred are acquisition costs on individual family policies (Takaful and Investments contracts) and are presented in the income statement as a part of expenses attributable to shareholders. The Shari'a board of the Company approved the business model for the separate recognition of these costs.

Noor Takaful General PJSC

Director's Report
Independent Auditor's Report
Shari'a Report

Directors' report

For the year ended 31 December 2011

The directors submit their report on the activities of Noor Takaful General (P.J.S.C) ("the Company") for the year 31 December 2011 together with the audited financial statements.

The principal activities of the Company are to carry out general takaful and retakaful activities in accordance with the Wakala model. These activities are carried out by the Company on behalf of participants (also known as the policyholders) in accordance with Islamic Shari'a principles.

Results

The financial position of the Noor Takaful General (PJSC) as of 31 December 2011 together with its statements of income, changes in equity and cash flows for the year then ended 31 December 2011 are set out in the accompanying financial statements.

Dividend

The directors do not propose a dividend for the year ended 31 December 2011 (2010: Nil).

Directors

The following were the directors of Noor Takaful during the year ended 31 December 2011:

H.H. Sheikh Ahmed bin Saeed Al Maktoum (Chairman)
Mr. Soud Ba'alawy (Vice-Chairman)
Mr. Hussain Al Qemzi (Member)
Dr. Ahmed Al Janahi (Member and Managing Director)
Mr. Mahomed Akoob (Member)

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

By order of the Board of Directors

Chairman
H.H. Sheikh Ahmed bin Saeed Al Maktoum

Managing Director
Dr. Ahmed Al Janahi

Independent auditor's report

to the shareholders' of Noor Takaful General P.J.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Noor Takaful General P.J.S.C. ("the Company"), which comprise the balance sheet as of 31 December 2011 and the income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors' determine 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Independent auditor's report to the shareholders' of

Noor Takaful General P.J.S.C. (continued)

Opinion

In our opinion, the accompanying 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

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

a) we have obtained all the information we considered necessary for the purpose of our audit;

b) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and the Articles of Association of the Company;

c) the Company has maintained proper books of account and the financial statements are in agreement therewith;

d) the financial information included in the Directors' report is consistent with the books of account of the Company; and

e) nothing has come to our attention, which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2011.

PricewaterhouseCoopers
22 March 2012

Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Fatwa & Shari'a Supervisory Board Report

For the Financial Year Ended 31/12/2011

To the Shareholders of Noor Takaful General
Peace and blessings of Allah be upon you,

Pursuant to article no.(24) of the articles of association of the company, we submit the following report:

We have reviewed the basis, on which the company has based, its financial results, investments that it entered into, samples of Takaful certificates underwritten by the company during the fiscal year ending on 31st of December, 2011 and other company activities for the purpose of expressing the opinion on whether the company complied with the principles and rules of Islamic Shari'a, and directives issued from our side.

The management of the company is responsible for the company activities and operations and their execution in accordance with the rules and principles of Islamic Shari'a and shall be liable for ensuring that the company operates in accordance with such rules and principles. Our scope of liability shall be limited to providing an independent lawful opinion that is based on our review of what we have gone through in addition to preparing the related report.

We have reviewed the financial results of the company and its financial structure based on its balance sheet, statement of revenues and expenses. We have also reviewed the aspects of investments that the company entered into, in addition to samples of the Takaful certificates concluded that relates to various types of Islamic Takaful insurance. Also, we have reviewed the Re-Takaful and Re-insurance agreements and the companies comprising the Reinsurance panel. In addition to reviewing the Shari'a Audit Reports prepared and submitted to us by Shari'a Department in the company.

Furthermore, we have obtained the information and interpretations that we deemed necessary for providing us with adequate evidence to give reasonable confirmation that the company has not in general breached the rules and principles of Islamic Shari'a within the scope of its activities.

We held 2 FSSB Meetings in which a number of resolutions were issued

Fatwa & Shari'a Supervisory Board Report (continued)

For the Financial Year Ended 31/12/2011

In our opinion, we would like to highlight the following points:

- As per its financial structure, the company has separated the account of the Takaful participants from that of the shareholders, which is regarded as the basis in the Islamic Takaful insurance. In this context, the company has prepared its balance sheet for the fiscal year ending on 31st of December, 2011 as per the lawful form which the company follows in preparing its financials.
- The company, being the Wakil (agent) of the participants in the Takaful fund has deducted, from the participants' account the stated Wakala fee in addition to its stated common share in the profits generated from investing the assets of the Takaful fund and the stated portion of the surplus from the Takaful Fund.
- As per the information provided to us the investments that the company has entered into were acceptable and as per Shari'a requirements.
- The company has concluded reinsurance agreements as per the approved Shari'a principles.
- Based on our revision for samples of the Takaful certificates and documents used by the company, we have ensured that such policies are acceptable from the Islamic Shari'a perspective.
- Pursuant to the Articles of Association, the Company is responsible for the calculation and payment of zakat on behalf of the shareholders and participants alike. However, the company has not done so since its inception, and the FSSB has now approved the suggestion by the company that that payment of zakat should be made by the shareholders and participants themselves and that the company's obligation in this regard is only to calculate the payable amount and notify the concerned parties to make the payment and discharge their religious obligations by themselves.
- The Advisory Authority emphasizes that the company should not use any document or contract, enter into any agreement or investment, or carries out any sort of activity unless they are approved by it (the authority) to ensure that they are in compliance with Shari'a requirements as specified by the articles of association of the company.

We pray to Allah, the Almighty that the company will be a success and wish its management all the best for the sake of its business interests. Finally, our last prayer be that praise be to Allah, the Almighty

Members of the Fatwa & Shari'a Supervisory Board - Noor Takaful General

....

Dr. Mohamed Ali Elgari
(Chairman)

....

Dr. Mohd Daud Bakar
(Vice Chairman)

Mr. Amjad Nasser
(Member)

Noor Takaful General PJSC
Financial Statements

Balance sheet

	Notes	As at 31 December 2011 AED	2010 AED
Assets			
Cash and bank balances	6	50,538,492	73,654,642
Contributions receivable	7	32,717,581	39,228,885
Retakaful receivables	8	52,697,788	61,113,838
Prepayments and other receivables	9	18,646,656	11,749,514
Deferred acquisition costs	10	6,267,090	7,220,001
Property and equipment	12	5,809,991	5,606,625
Total assets		166,677,598	198,573,505
Liabilities and Shareholders' equity			
Liabilities			
Takaful and related payables	8	81,557,218	101,164,647
Deferred commission income	11	4,857,356	7,392,197
Retakaful payables		16,793,088	26,487,156
Accruals and other payables	13	3,855,766	4,836,050
Employees' end of service benefits	14	625,102	577,014
Due to a related party	16(b)	26,944,780	7,786,277
Total liabilities		134,633,310	148,243,341
Shareholders' equity			
Share capital	15	100,000,000	75,000,000
Subscribed share capital	15	-	25,000,000
Accumulated losses		(67,955,712)	(49,669,836)
Total shareholders' equity		32,044,288	50,330,164
Total liabilities and shareholders' equity		166,677,598	198,573,505

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These financial statements were approved by the Board of Directors on 20 March 2012 and signed on its behalf by:

………… Chairman

……… Director

The accompanying notes on pages 77 to 99 form an integral part of these financial statements.

Income statement

	Note	Year ended 31 December 2011 AED	Year ended 31 December 2010 AED
Attributable to participants			
Gross contributions		84,339,965	110,938,750
Retakaful contributions ceded		(59,255,605)	(74,934,346)
Net retained contributions		25,084,360	36,004,404
Change in unearned contribution, net	8	5,047,212	(9,683,572)
Net earned contribution		30,131,572	26,320,832
Commission earned, net	11	13,681,512	11,549,323
Total revenue		43,813,084	37,870,155
Gross claims incurred	17	(85,715,105)	(58,540,867)
Retakaful share of claims incurred	17	58,229,832	38,209,506
Net claims incurred		(27,485,273)	(20,331,361)
Takaful income		16,327,811	17,538,794
Acquisition costs, net	10	(12,656,631)	(9,531,151)
Other takaful expenses	18	(1,920,297)	(1,917,060)
Takaful operating profit		1,750,883	6,090,583
Wakala fee, net	19	(19,119,822)	(15,732,171)
Profit from Wakala deposits		36,698	43,888
Mudarib profit share		(3,670)	(4,389)
Deficit for the year attributable to participants		(17,335,911)	(9,602,089)

The accompanying notes on pages 77 to 99 form an integral part of these financial statements.

Income statement (continued)

	Note	Year ended 31 December	
		2011	2010
		AED	AED
Attributable to shareholders			
Wakala fees (net)	19	19,119,822	15,732,171
Profit from Wakala deposits		2,402,193	2,608,284
Mudarib profit share		3,670	4,389
		21,525,685	18,344,844
Expenses			
General and administrative expenses	20	(22,475,650)	(26,144,754)
Provision for deficit attributable to participants		(17,335,911)	(9,602,089)
Loss and total comprehensive loss for the year attributable to shareholders		(18,285,876)	(17,401,999)

Statement of changes in shareholders' equity

	Share capital AED	Subscribed share capital AED	Accumulated losses AED	Total AED
At 1 January 2010	75,000,000	-	(32,267,837)	42,732,163
Issue of shares (Note 15)	-	25,000,000	-	25,000,000
Loss for the year	-	-	(17,401,999)	(17,401,999)
At 31 December 2010	75,000,000	25,000,000	(49,669,836)	50,330,164
Transfer to share capital (Note 15)	25,000,000	(25,000,000)	-	-
Loss for the year	-	-	(18,285,876)	(18,285,876)
At 31 December 2011	100,000,000	-	67,955,712	32,044,288

The accompanying notes on pages 77 to 99 form an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 December 2011 AED	2010 AED
Cash flows from operating activities			
Loss for the year		(18,285,876)	(17,401,999)
Adjustments for:			
Depreciation	12	906,227	678,113
Profit from Wakala deposits		(2,438,891)	(2,652,172)
Provision for impairment	18	1,578,202	1,487,898
Provision for employees' end of service benefits	14	281,409	505,713
End of service benefit paid	14	(233,321)	(169,476)
Net cash used in operating activities before changes in working capital		(18,192,250)	(17,551,923)
Changes in assets and liabilities:			
Deposits under lien	6	(1,287,308)	(132,937)
Contribution receivable	7	4,933,102	(27,154,613)
Prepayments and other receivables (excluding accrued profit on Wakala deposits)	9	(5,707,963)	(9,825,685)
Retakaful receivables	8	8,416,050	(35,165,595)
Deferred acquisition cost - net	10	952,911	(4,777,891)
Deferred commission income - net	11	(2,534,841)	3,955,850
Takaful and related payables	8	(19,607,429)	62,661,941
Retakaful payables		(9,694,068)	18,153,066
Accruals and other payables	13	(980,284)	(268,924)
Due to a related party	16(b)	19,158,503	7,037,746
Net cash used in operating activities		(24,543,577)	(3,068,965)
Cash flows from investing activities			
Purchase of property and equipment	12	(1,109,593)	(5,770,109)
Investment in Wakala deposits	6	9,037,491	(3,117,063)
Profit received from Wakala deposits		1,249,712	1,687,832
Net cash provided by / (used in) investing activities		9,177,610	(7,199,340)
Cash flow from financing activities			
Subscription received towards share capital	15	-	25,000,000
Net (decrease) / increase in cash and cash equivalents		(15,365,967)	14,731,695
Cash and cash equivalents, beginning of year	6	20,904,642	6,172,947
Cash and cash equivalents, end of the year	6	5,538,675	20,904,642

The accompanying notes on pages 77 to 99 form an integral part of these financial statements.

Noor Takaful General PJSC
Notes to the Financial Statements

1 Incorporation and principal activities

Noor Takaful General PJSC ("the Company" or "NTG") was incorporated as a Public Joint Stock Company and registered with the Securities and Commodities Authority ("SCA") on 26 March 2008 (Registration No 1012). The Company has its registered office at P.O. Box 8822, Dubai, United Arab Emirates ("UAE"). The Company is owned 90 % by Noor Investment Group LLC ("NIG") and 10 % by Noor Islamic Bank PJSC ("NIB"). NIG and NIB are entities under common control.

On 6 January 2009, the Company received its license to commence insurance operations in the UAE from the UAE Insurance Authority ("the Regulator") and commenced operations thereafter.

The principal activities of the Company are to carry out general takaful and retakaful activities in accordance with the Wakala model. These activities are carried out by the Company on behalf of the participants (also known as the policyholders) in accordance with Islamic Shari'a principles.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention. These financial statements also include the assets, liabilities, income and expenses relating to the participants' funds since the Company is constructively liable for any deficits arising in the participants' funds.

The Company's balance sheet is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and bank balances, accrual and other payables. The following balances would generally be classified as non-current: property and equipment and provision for employees' end of service benefits. The following balances are of mixed nature (including both current and non-current portions): deferred acquisition costs, contribution and other receivables, retakaful receivables and payables, takaful and related payables.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

Standard and amendments and interpretations to published standards which are not yet effective and have not been early adopted by the Company

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company is yet to assess the full impact of the amendments and intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2012.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial

  characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standard and amendments and interpretations to published standards which are not yet effective and have not been early adopted by the Company (continued)

- IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is not applicable until 1 January 2013 but is available for early adoption. Management has assessed that this standards should not have any impact on Company's financial statements.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace profit and expected return on plan assets with a net profit amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.

- IFRS 11, 'Joint arrangements,' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

2 Significant accounting policies (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured in United Arab Emirates Dirham ("AED") being the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in AED, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.3 Contributions

Contributions are recognised as revenue (earned contributions) proportionally over the period of the coverage. The portion of contribution received on in-force contracts that relates to unexpired risks at the balance sheet date is calculated on 1/365th basis and reported as unearned contribution liability. Contributions are shown before deduction of commission.

2.4 Retakaful ceded

Retakaful ceded are amounts paid to insurance and reinsurance companies in accordance with the retakaful contracts of the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the income statement in accordance with the terms of these contracts.

2.5 Deferred acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are treated as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. DAC are subsequently amortised in the income statement over the life of the contracts as the related contribution is earned.

Where such business is reinsured, an appropriate proportion of the deferred acquisition costs is attributed to the reinsurer, and is treated as a separate liability. DAC are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

2.6 Claims

Claims, comprising amounts payable to participants and related loss adjustment expenses, net of salvage and other recoveries are charged to income statement as incurred. Such expenses include direct and indirect claims settlement costs which arise from events that have occurred up to the balance sheet date even if they have not been reported. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments of individual cases reported and statistical analysis for the claims Incurred But Not Reported ("IBNR") as determined by management's best estimate.

2 Significant accounting policies (continued)

2.7 Profit from Wakala deposits

Profit from Wakala deposits is recognized in the income statement on an accrual basis using the effective profit rate method and include all contractual fees that are an integral part of the effective profit rate.

2.8 Management fee

The Company manages the takaful operations on behalf of the participants for a Wakala fee, which is calculated as a proportion of gross contributions. The portion of the fee that relates to periods of risk that extend beyond the financial year are reported as deferred Wakala fee. The investments of the participants are also managed by the Company for a Mudarib profit sharing arrangement.

2.9 Commission income

Commission income is recognised on an earned basis over the life of the takaful contracts and is based on the retakaful agreements with the reinsurers.

2.10 Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

2.11 Provision for staff benefits

In accordance with the provisions of the UAE Federal Law No. (7), 1999, for Pension and Social Security, contributions for UAE national employees are made and deposited with the United Arab Emirates General Provision and Social Security Authority and are charged to the income statement.

Amounts due to other staff provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the statement of financial position date. This amount is charged to the statement of comprehensive income. The provision for estimated liability of employees' entitlements to annual leave and leave passage is included in other payables.

2.12 Provisions

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

2 Significant accounting policies (continued)

2.13 Retakaful contracts

Contracts entered into by the Company with retakaful companies and conventional reinsurance companies based on approval of Shari'a Board under which the Company is compensated for losses are classified as retakaful contracts held. The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful receivables. These receivables consist of retakaful share of gross claims outstanding including IBNR and that are dependent on the expected claims and benefits arising under the related reinsured takaful contracts. Amounts recoverable from or due under retakaful contracts are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each takaful or retakaful contract.

Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense proportionally over the period of coverage.

The Company assesses its retakaful receivables for impairment on a quarterly basis. If there is objective evidence that the retakaful receivables are impaired, the Company reduces the carrying amount of the retakaful asset to its recoverable amount and recognises that impairment loss in the income statement. Objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the retakaful receivables that the Company may not be able to receive all the amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful contract.

2.14 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Leasehold improvements	10 years
Furniture and fittings	5 years
Office equipments	5 years
Computer equipment	3 - 5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the income statement.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalized. When capitalized, capital work-in- progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Company's accounting policies.

2 Significant accounting policies (continued)

2.15 Surplus/(deficits) in participants' funds

Surplus in participants' funds represents accumulated gains on takaful activities and are distributed among the participants. The timing, quantum and the basis of distribution is determined by the Company and are approved by its Shari'a board. Deficits in participants' funds are financed through Qard Hasan by the Company and thereafter fully provided for by the Company. Accordingly, assets, liabilities, revenue and expenses relating to the participants' funds are recognized in the financial statements of the Company.

2.16 Contribution receivable

Contibution receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, contribution receivables are measured at amortised cost, using the effective profit rate 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 income statement.

Takaful receivables are derecognised when de-recognition criteria for financial assets have been met.

2.17 Takaful and related payables

Takaful and related payables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method. Liabilities are recognised for amounts to be paid for services received, whether or not billed to the Company.

2.18 Liability adequacy test

At each reporting date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claim handling and administration expenses are used. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income statement and an unexpired risk provision created.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are normally based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Claims and related expenses

The purpose of Takaful contracts entered into by the Company is to pay claims arising out of fortuitous events i.e. events that are unexpected. The Company's portfolio is sufficiently diversified in terms of the class of risks. For estimates on claims incurred and reported, the Company relies on the estimates provided by the claims department, while estimates for IBNR provision are based on management's best available estimate, which is duly reviewed for its appropriateness.

(b) Impairment of receivables

The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution receivables, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

4 Takaful and financial risk management

4.1 Underwriting risk

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of a takaful contract, this risk is uncertain and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than those estimated. Takaful related events are uncertain and the actual number and amount of claims will vary from year to year.

The takaful risk is limited to the extent of the share of the business accepted by the Company. The Company manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. Underwriting limits and policy are in place to enforce appropriate risk selection criteria. The Company's net account in terms of aggregate risk retention is well protected with appropriate retakaful arrangements.

The Company is liable for all takaful related events that occur during the term of the contract, even if the loss is reported after the end of the contract term. As a result, the liability claims stretch over a long period of time for some cases and for those cases, a larger element of the claims provision relates to IBNR. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the balance sheet date.

At 31 December 2011, the Company does not foresee any major impact from takaful operations due to the overall risk retention of approximately 30% (2010:32%).

4.2 Financial risk factors

The Company's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services and takaful business, and the operational risks are an inevitable consequence of being in business. The Company's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

4 Takaful and financial risk management (continued)

4.2 Financial risk factors (continued)

Risk management is carried out by senior management. Senior management is responsible for the independent review of risk management and the control environment. The Company's activities expose it to a variety of financial risks: market risk (which includes currency and profit rate risks), credit risk and liquidity risk.

4.2.1 Market risk

(a) Foreign currency risk

The Company is not significantly exposed to foreign exchange risk as the transactions entered by the Company other than in AED are primarily in US$ which is currently pegged to the AED.

(b) Profit rate risk

With the exception of the Wakala deposits placed with banks, amounting to AED 44,999,817 (2010: AED 60,250,000), the Company has no significant profit-bearing assets and as such the Company's income and operating cash flows are substantially independent of changes in market profit rates.

At 31 December 2011, the Company was not exposed to any significant market risk except profit rate risk arising on its investments in Wakala deposits. At 31 December 2011, had benchmark profit rate of EIBOR increased or decreased by 1%, the result and equity for the year would have been impacted by AED 449,998 (2010: AED 602,500).

4.2.2 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- retakaful receivables
- contribution and other receivables;
- cash and bank balances.

Maximum exposure to credit risk before collaterals held or other credit enhancements

	2011 AED	2010 AED
Retakaful receivables (Note 8)	52,697,788	61,113,838
Contributions receivable (Note 7)	32,717,581	39,228,885
Other receivables (excluding prepayments) (Note 9)	17,312,241	10,854,333
Cash and bank balances (excluding cash in hand) (Note 6)	47,842,333	72,220,046
	150,569,943	183,417,102

4 Takaful and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

The above table represents a worse case scenario of credit risk exposure of the Company at 31 December 2011 and 2010 without taking account of any collateral held or other credit enhancements. The exposures set out above are based on net carrying amounts of the financial assets as reported in the balance sheet.

(a) Retakaful receivables

Retakaful risk refers to the risk an enterprise will encounter in the event that any reinsurer fails to meet its obligations assumed under the retakaful agreement. The Company primarily deals with reputable reinsurers with good financial standing.

(b) Contribution and other related receivables

Contribution receivable counterparties are duly assessed for their credit worthiness based on the volume of business transacted. Ageing of receivables is monitored against the allowed credit period set on a case to case basis. The Company has the right to offset the dues against any past or future claim payments.

The Company has no significant concentration of credit risk at the balance sheet date as its counterparties are well diversified. Credit risk on these receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. Receivables from takaful debtors net of provision for impairment at 31 December 2011 amount to AED 32,717,581 (2010: AED 39,228,885).

(c) Cash and Bank balances

Although the Company has significant bank balances and term deposits, management believes that the risk arising out of cash and bank balances and deposits is minimal as these are with reputable local banks with good financial standing.

4.2.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and Company’s management ensures that sufficient funds are available to meet any commitments as they arise. The Company’s liabilities, except for employee end of service benefits (Note 14), are primarily payable within a period of less than 1 year.

4 Takaful and financial risk management (continued)

4.3 Fair value estimation

The carrying value of receivables and payables are assumed to approximate their fair values. Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgment and after consideration of uncertainties. As at 31 December 2011, the carrying values of the financial assets and liabilities approximate their fair values due to their expected short-term maturities.

5 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to comply with the capital requirements as set by the regulations. At 31 December 2011, the Company's share capital and accumulated losses were as set out below:

	31 December 2011 AED	31 December 2010 AED
Share capital	100,000,000	100,000,000
Accumulated losses	(67,955,712)	(49,669,836)
Total shareholder's equity	32,044,288	50,330,164

Subsequent to the year end, at the extraordinary general meeting on 1 February 2012 the shareholders approved additional capital of AED 40 million.

6 Cash and cash equivalents

	31 December 2011 AED	31 December 2010 AED
Cash and current accounts	5,538,675	13,404,642
Investment in Wakala deposits	44,999,817	60,250,000
Cash and bank balances	50,538,492	73,654,642
Less: Statutory deposit	(6,000,000)	(6,000,000)
Less: Deposits under lien	(2,670,245)	(1,382,937)
Less: Deposits with a maturity of more than three months	(36,329,572)	(45,367,063)
Cash and cash equivalents	5,538,675	20,904,642

6 Cash and cash equivalents (continued)

At 31 December 2011, the statutory deposit of AED 6 million has been placed with NIB as a Wakala deposit in accordance with Article 42 of the Federal Law No. 6 of 2007 for the purpose of carrying on insurance operations in the United Arab Emirates and cannot be withdrawn without the approval of the Ministry of Economy.

The deposit of AED 2.67 million (2010: AED 1.38 million) is secured against bank guarantees of AED 10 million (2010: AED 1.6 Million) issued by NIB on behalf of the Company in the normal course of business.

The Wakala deposits carried a profit rate of 2% to 5.1% per annum. (2010: 1.0% to 5.1% per annum).

7 Contributions receivable

	31 December 2011 AED	31 December 2010 AED
Due from takaful debtors	35,783,681	40,716,783
Provision for impairment	(3,066,100)	(1,487,898)
Contributions receivable	32,717,581	39,228,885

The carrying amounts of contribution receivable are considered to approximate their fair values and are categorised as follows:

	Neither past due nor impaired AED	Past due but not impaired AED	Past due and impaired AED	Total AED
2011	8,163,146	24,554,435	3,066,100	35,783,681
2010	21,589,988	17,638,897	1,487,898	40,716,783

Neither past due nor impaired

The normal credit period allowed to participants and other takaful debtors is 90 days, after which amounts are considered past due. As of 31 December 2011, receivables of AED 8,163,146 (2010: AED 21,589,988) were fully performing.

7 Contribution receivable (continued)

Past due but not impaired

As at 31 December 2011, takaful debtors of AED 24,554,435 (2010: AED 17,638,897) were past due but not impaired. The ageing analysis of these debtors is as follows:

Contribution receivables	31 December 2011 AED	31 December 2010 AED
91-365 days	17,843,705	16,659,678
Over 365 days	6,710,730	979,219
Total	24,554,435	17,638,897

Past due and impaired

These takaful debtors have been fully provided for.

8 Takaful payables and retakaful receivables

	31 December 2011 AED	31 December 2010 AED
Takaful and related payables		
Outstanding claims reported and loss adjustment expenses	32,876,740	29,412,272
Claims incurred but not reported ("IBNR")	7,421,676	5,755,512
Unearned contributions	37,251,737	54,242,333
	77,550,153	89,410,117
Acquisition costs payable	4,007,065	5,475,126
Other takaful payables	-	6,279,404
Gross takaful liabilities	81,557,218	101,164,647
Retakaful receivables		
Outstanding claims reported and loss adjustment expenses	22,214,598	20,123,982
Claims incurred but not reported ("IBNR")	5,246,943	3,810,225
Unearned contributions	25,236,247	37,179,631
Total retakaful receivables	52,697,788	61,113,838

8 Takaful payables and retakaful receivables (continued)

Development claim tables

The table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends.

Gross incurred claims

Accident year	2009 AED	2010 AED	2011 AED	As of 31 December 2011 AED
At the end of each reporting year	13,089,907	57,307,400	67,563,833	67,563,833
One year later	14,973,640	69,955,449	-	69,955,449
Two years later	18,810,699	-	-	18,810,699
Estimate of cumulative claims	18,810,699	69,955,449	67,563,833	156,329,981
Cumulative payments to date	(12,902,412)	(45,217,555)	(65,333,274)	(123,453,241)
Liability recognised in the balance sheet	5,908,287	24,737,894	2,230,559	32,876,740
IBNR				7,421,676
Total reserves included in the balance sheet				40,298,416

9 Prepayments and other receivables

	2011 AED	2010 AED
Accrued income on Wakala deposits	2,153,519	964,340
Prepaid expenses	1,334,415	895,181
Other receivables	15,158,722	9,889,993
	18,646,656	11,749,514

10 Deferred acquisition costs

	2011 AED	2010 AED
At 1 January	7,220,001	2,442,110
Acquisitions costs incurred during the year	11,703,720	14,309,042
Amortisation charge for the year	(12,656,631)	(9,531,151)
At 31 December	6,267,090	7,220,001

Acquisition costs includes AED 5.5 million (2010: AED 5.3 million) paid to the sales staff of the Company.

11 Deferred commission income

	2011 AED	2010 AED
At 1 January	7,392,197	3,436,347
Commission during the year	11,146,671	15,505,173
Commission income earned during the year	(13,681,512)	(11,549,323)
At 31 December	4,857,356	7,392,197

12 Property and equipment

	Leasehold improvements AED	Furniture and fittings AED	Office equipment AED	Computer equipment and software AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2011	5,118,377	25,417	127,442	742,710	439,247	6,453,193
Additions during the year	320,712	21,415	4,500	53,500	709,466	1,109,593
Transfers	111,088	-	-	393,275	(504,363)	-
	-					
At 31 December 2011	5,550,177	46,832	131,942	1,189,485	644,350	7,562,786
Accumulated depreciation						
At 1 January 2011	(423,003)	(2,902)	(14,569)	(406,094)	-	(846,568)
Charge for the year	(518,791)	(9,372)	(26,313)	(351,751)	-	(906,227)
	-					
At 31 December 2011	(941,794)	(12,274)	(40,882)	(757,845)	-	1,752,795
Net book amount						
At 31 December 2011	4,608,383	34,558	91,060	431,640	644,350	5,809,991

12 Property and equipment (continued)

	Leasehold improvements AED	Furniture and fittings AED	Office equipment AED	Computer equipment and software AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2010	-	1,600	15,855	639,869	25,760	683,084
Additions during the year	1,720,771	23,817	107,087	36,666	3,881,768	5,770,109
Transfers	3,397,606	-	4,500	66,175	(3,468,281)	-
	-		-			
At 31 December 2010	5,118,377	25,417	127,442	742,710	439,247	6,453,193
Accumulated depreciation						
At 1 January 2010	-	(214)	(2,865)	(165,376)	-	(168,455)
Charge for the year	(423,003)	(2,688)	(11,704)	(240,718)	-	(678,113)
	-		-			
At 31 December 2010	(423,003)	(2,902)	(14,569)	(406,094)	-	(846,568)
Net book amount						
At 31 December 2010	4,695,374	22,515	112,873	336,616	439,247	5,606,625

13 Accruals and other payables

	31 December 2011 AED	31 December 2010 AED
Accrued expenses	1,189,259	2,704,630
Payable to suppliers	195,077	642,993
Other payables	2,471,430	1,488,427
	3,855,766	4,836,050

14 Employees' end of service benefits

	31 December 2011 AED	31 December 2010 AED
Balance at beginning of year	577,014	240,777
Charge for the year (Note 21)	281,409	505,713
Payments during the year	(233,321)	(169,476)
Balance at 31 December	625,102	577,014

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2011, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 4.25% (2010: 5%).Under this method an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% (2010: 4%).

15 Share capital

	31 December 2011 AED	31 December 2010 AED
Authorized, issued and fully paid up share capital:		
100,000,000 shares (2010: 75,000,000 shares) of AED 1 each	100,000,000	75,000,000
Subscribed share capital	-	25,000,000
	100,000,000	100,000,000

15 Share capital (continued)

During the year the subscribed share capital has been fully paid and transferred to share capital after the all administrative, legal formalities for the conversion were completed. Subsequent to the year end additional capital has been approved by the shareholders (Note 5).

16 Related party transactions and balances

Related parties comprise the shareholders and directors of the Company, key management personnel, companies owned and controlled by them and those companies over which they have significant influence. The Company entered into significant transactions with shareholders and related party in ordinary course of business. Significant transactions and balances with related parties are as follows:

	Year ended 31 December	
	2011 AED	2010 AED
a) Transactions with related parties:		
Gross contributions in respect of Takaful contracts	1,505,695	782,784
Profit from Wakala deposit	1,927,208	2,608,284
Other income from shareholder	635,000	-
Key management personnel remuneration	1,145,708	1,445,165
Expenses recharged by related party (Note 20) - Net	3,907,766	3,517,341
b) Balances arising from the above transactions:		
Due to a related party	26,944,780	7,786,277
Bank balance with shareholder (Note 6)	35,481,204	73,393,861

- The amount due to a related party comprises amounts due to Noor Takaful Family (NTF) in connection with expenses incurred by NTF on behalf of the Company. The amount due to NTF does not carry any profit and is repayable on demand.
- During the year, the Company received funds amounting to AED 350 million from a shareholder which was then placed with financial institutions. The funds were repaid to the shareholders before the end of the year.
- Certain costs such as personnel costs, rent and utilities, advertising, legal and professional expenses and depreciation are incurred by NTG and the NTF, which are shared on a mutually agreed basis. Total of such costs incurred on a shared service basis and the respective share of such costs for NTF and the Company is provided below:

	2011 AED	2010 AED
NTG's share	16,169,940	16,799,628
NTF's share	1,796,660	14,215,084
Total shared service cost incurred	17,966,600	31,014,712

17 Claims incurred

	Year ended 31 December 2011		
	Gross AED	Retakaful AED	Net AED
Claims and loss adjustment expenses paid	80,584,473	(54,702,498)	25,881,975
Outstanding claims (Note 8)	3,464,468	(2,090,616)	1,373,852
IBNR claims (Note 8)	1,666,164	(1,436,718)	229,446
Total claims and loss adjustment expenses	85,715,105	(58,229,832)	27,485,273

	Year ended 31 December 2010		
	Gross AED	Retakaful AED	Net AED
Claims and loss adjustment expenses paid	38,135,966	(25,650,064)	12,485,902
Outstanding claims	16,314,965	(9,886,625)	6,428,340
IBNR claims	4,089,936	(2,672,817)	1,417,119
Total claims and loss adjustment expenses	58,540,867	(38,209,506)	20,331,361

18 Other Takaful expenses

	Year ended 31 December	
	2011 AED	2010 AED
Allowance for impairment (Note 7)	1,578,202	1,487,898
Other expenses	342,095	429,162
	1,920,297	1,917,060

19 Wakala fee

	Year ended 31 December	
	2011 AED	2010 AED
Gross wakala fees	13,837,353	22,068,482
Changes in deferred wakala fees	5,282,469	(6,336,311)
	19,119,822	15,732,171

20 General and administrative expenses

	Year ended 31 December 2011 AED	2010 AED
Staff costs (Note 21)	8,830,967	13,902,567
Recharge of expenses from Noor Takaful Family PJSC (Note 16) – Net	3,907,766	3,517,341
Advertising	2,278,429	1,979,860
Rent and utilities	2,773,621	1,796,523
Others	(272,251)	1,500,419
Legal and professional	1,730,415	689,502
Depreciation expense	906,227	678,113
Supervision and other regulatory fee	503,779	665,632
IT and related	975,033	624,265
Association/registration fees	437,706	290,632
Printing and stationery	184,873	179,004
Travelling	50,717	164,827
Communication	168,368	156,069
	22,475,650	26,144,754

Others indicated above represents amount after netting of other income of AED 635,000 (Note 16) received from shareholders.

Recharge of expenses from Noor Takaful Family PJSC comprises recharge of staff costs of AED 1,968,445 (2010: 542,211) and recharge of other expenses of AED 1,939,321 (2010: AED 2,975,130). These expenses are shown net of recharge of expenses to NTF of AED 1,298,447 (2010: AED 6,245,357).

21 Staff costs

In addition to disclosure in Note 10, other staff costs are provided below:

	Year ended 31 December 2011 AED	2010 AED
Salary and allowances	8,549,558	13,396,854
Employees' end of service benefit (Note 14)	281,409	505,713
	8,830,967	13,902,567