Dar Al Takaful PJSC *(formerly Takaful House PJSC)*

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2011 (UNAUDITED)

ERNST & YOUNG

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DAR AL TAKAFUL PJSC *(formerly Takaful House PJSC)*

Introduction

We have reviewed the accompanying interim condensed financial statements of Dar Al Takaful PJSC (the "Company") *(formerly Takaful House PJSC)* as at 30 June 2011, comprising of the interim statement of financial position as at 30 June 2011 and the related interim statement of income, statement of comprehensive income for the three-month and six-month periods then ended, statement of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matters

We draw attention to note 10 to the financial statements relating to the assessment of the recoverable amount of Qard Hassan (loan free of finance charge with no repayment terms) of AED 43,676,776.

Our opinion is not qualified for this matter.

Signed by:
Ernst & Young

Ali Issa
Partner
Registration No. 488

Dubai, United Arab Emirates
2 August 2011

Dar Al Takaful PJSC

INTERIM STATEMENT OF INCOME

Period ended 30 June 2011 (Unaudited)

	Notes	*Three months ended 30 June* 2011 AED	*Three months ended 30 June* 2010 AED	*Six months ended 30 June* 2011 AED	*Six months ended 30 June* 2010 AED
ATTRIBUTABLE TO PARTICIPANTS					
Gross contribution written		**15,811,693**	20,760,153	**23,752,592**	26,814,801
Change in unearned contributions		**(5,118,424)**	(13,131,551)	**(2,041,684)**	(15,082,929)
Contributions earned		**10,693,269**	7,628,602	**21,710,908**	11,731,872
Contributions ceded to retakaful		**(1,622,994)**	(1,479,669)	**(3,039,533)**	(1,893,840)
Net contributions revenue		**9,070,275**	6,148,933	**18,671,375**	9,838,032
Commission received on ceded contributions		**292,616**	222,348	**597,854**	325,570
Policy and survey fees		**47,352**	68,375	**157,902**	124,275
		(9,410,243)	6,439,656	**19,427,131**	10,287,877
UNDERWRITING EXPENSES					
Claims	6	**(8,214,676)**	(4,625,116)	**(16,399,690)**	(7,737,483)
Retakaful share of claims	6	**1,437,162**	-	**2,559,473**	-
Policy acquisition cost		**(1,177,119)**	(1,412,803)	**(2,365,170)**	(2,182,183)
Excess of loss retakaful		**(264,911)**	(991,613)	**(563,126)**	(1,514,324)
NET UNDERWRITING INCOME / (LOSS)		**1,190,699**	(589,876)	**2,658,618**	(1,146,113)
Wakala fees paid to shareholders		**(2,389,182)**	(1,773,450)	**(4,858,257)**	(2,817,974)
Expenses allocated to participants		**(62,362)**	(399,511)	**(217,039)**	(595,847)
NET LOSS FROM TAKAFUL OPERATIONS		**(1,260,845)**	(2,762,837)	**(2,416,678)**	(4,559,934)
Investment (loss) / income	4	**(16,271)**	45,838	**3,690**	80,348
Mudarib's share		**(3,471)**	(6,220)	**(5,931)**	(9,238)
(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARTICIPANTS	3	**(1,280,587)**	(2,723,219)	**(2,418,919)**	(4,488,824)
ATTRIBUTABLE TO SHAREHOLDERS					
INCOME					
Wakala fees from participants		**2,389,181**	1,773,450	**4,858,257**	2,817,974
Mudarib's share		**3,471**	6,220	**5,931**	9,238
Investment loss	4	**(27,429)**	(956,286)	**(333,123)**	(246,213)
		2,365,223	823,384	**4,531,065**	2,580,999
EXPENSES					
General and administrative expenses		**(5,704,617)**	(2,774,482)	**(10,320,054)**	(5,144,707)
LOSS FOR THE PERIOD BEFORE QARD HASSAN		**(3,339,394)**	(1,951,098)	**(5,788,989)**	(2,563,708)
Provision against Qard Hassan to participants		**(1,231,187)**	(2,835,019)	**(2,411,119)**	(4,644,824)
LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		**(4,570,581)**	(4,786,117)	**(8,200,108)**	(7,208,532)
Basic and diluted loss per share	5	**(0.045)**	(0.048)	**(0.082)**	(0.072)

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2011 (unaudited)

	Notes	*Three months ended 30 June* 2011 AED	2010 AED	*Six months ended 30 June* 2011 AED	2010 AED
ATTRIBUTABLE TO PARTICIPANTS					
loss for the period		**(1,280,587)**	(2,723,219)	**(2,418,919)**	(4,488,824)
Other comprehensive loss					
Unrealized gain / (loss) on available-for-sale-investments	4	**49,400**	(111,800)	**7,800**	(156,000)
Other comprehensive income / (loss) for the period		**49,400**	(111,800)	**7,800**	(156,000)
Total comprehensive loss for the period attributable to participants	3	**(1,231,187)**	(2,835,019)	**(2,411,119)**	(4,644,824)
ATTRIBUTABLE TO SHAREHOLDERS					
Loss for the period		**(4,570,581)**	(4,786,117)	**(8,200,108)**	(7,208,532)
Other comprehensive income / loss					
Unrealized gain/ (loss) on available-for-sale-investments	4	**107,445**	(257,523)	**15,982**	(314,617)
Other comprehensive gain / (loss) for the period		**107,445**	(257,523)	**15,982**	(314,617)
Total comprehensive loss for the period attributable to shareholders	3	**(4,463,136)**	(5,043,640)	**(8,184,126)**	(7,523,149)

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

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	Notes	*30 June 2011 AED (Unaudited)*	*31 December 2010 AED (Audited)*
ASSETS			
Property and equipment		**11,826,416**	12,321,487
Intangible assets		**608,793**	872,676
Investment securities	7	**5,357,827**	5,204,845
Participants' fund assets	11	**36,979,505**	28,282,260
Prepayments and other receivables		**2,272,133**	1,842,611
Wakala deposits		**39,207,203**	43,375,263
Cash and bank balances	8	**123,195**	48,174
TOTAL ASSETS		**96,375,072**	91,947,316
EQUITY, PARTICIPANTS' FUND AND OTHER LIABILITIES			
Shareholders' equity			
Share capital	9	**100,000,000**	100,000,000
Accumulated losses		**(38,311,726)**	(30,111,618)
Available-for-sale investments reserve		**(254,556)**	(270,538)
Total shareholders' equity		**61,433,718**	69,617,844
Participants' fund			
Qard Hassan against deficit in participants' fund	10	**(43,676,776)**	(41,265,658)
Less: Provision against Qard Hassan to participants' fund	10	**25,137,884**	22,726,766
Deficit in participants' fund	10	**(18,538,892)**	(18,538,892)
Liabilities			
Participants' fund liabilities	11	**46,375,885**	38,004,925
Other liabilities		**7,104,361**	2,863,439
Total liabilities		**53,480,246**	40,868,364
TOTAL EQUITY, PARTICIPANTS' FUND AND OTHER LIABILITIES		**96,375,072**	91,947,316

The financial statements were authorised for issue by the directors on 2 August 2011.

Mohamed Ali Al-Neaimi
Chairman

Saleh Al-Hashimi
Managing Director

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

INTERIM STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2011

	Share capital AED	*Accumulated losses AED*	*Available-for-sale investments reserve AED*	*Total AED*
Balance at 1 January 2011	100,000,000	(30,111,618)	(270,538)	69,617,844
Loss for the period	-	(8,200,108)	-	(8,200,108)
Other comprehensive gain for the period	-	-	15,982	15,982
Total comprehensive (loss) / gain for the period	-	(8,200,108)	15,982	(8,184,126)
Balance at 30 June 2011 (Unaudited)	**100,000,000**	**(38,311,726)**	**(254,556)**	**61,433,718**
Balance at 1 January 2010	100,000,000	(21,087,620)	(70,795)	78,841,585
Loss for the period	-	(7,208,532)	-	(7,208,532)
Other comprehensive loss for the period	-		(314,617)	(314,617)
Total comprehensive (loss) for the period	-	(7,208,532)	(314,617)	(7,523,149)
Balance at 30 June 2010 (Unaudited)	100,000,000	(28,296,152)	(385,412)	71,318,436

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

INTERIM STATEMENT OF CASH FLOWS
Period ended 30 June 2011 (Unaudited)

	Notes	Six months ended 30 June 2011 AED	Six months ended 30 June 2010 AED
OPERATING ACTIVITIES			
(Loss) for the period		**(8,200,108)**	(7,208,532)
Adjustments for:			
Depreciation		**698,354**	566,872
Amortization		**282,733**	265,492
Changes in the fair value of financial assets at fair value through profit or loss	4	**1,073,556**	1,912,540
Changes in fair value of available-for-sale financial assets	4	**(7,800)**	156,000
Gain on sale of trading securities	4	**(22,568)**	-
Income from Wakala deposits	4	**(589,693)**	(1,629,643)
Dividend income from securities	4	**(120,000)**	-
Provision against Qard Hassan to Participants' fund		**2,411,119**	4,644,824
Provision for leave salary		**352,353**	100,512
Provision for employees' end of service benefits		**205,308**	56,191
		(3,916,746)	(1,135,744)
Changes in operating assets and liabilities:			
Qard Hassan to participants' fund		**(2,411,119)**	(4,644,824)
Takaful receivables		**(11,317,972)**	(13,819,643)
Prepayments and other receivables		**(2,476,065)**	(2,438,542)
Takaful contract liabilities		**5,561,062**	22,471,589
Takaful payables		**2,809,898**	386,290
Other liabilities		**4,033,108**	2,041,831
Cash from operations		**(7,717,834)**	2,860,957
Leave salary paid		**(194,873)**	(86,893)
Employee's end of service benefits paid		**(154,974)**	(76,908)
Cash used in operating activities		**(8,067,681)**	2,697,156
Profit received on Wakala deposits	4	**589,693**	1,629,643
Dividend income received from securities	4	**120,000**	-
Net cash from operating activities		**(7,357,988)**	4,326,799
INVESTING ACTIVITIES			
Purchase of property and equipment		**(203,284)**	(514,768)
Acquisition of intangible assets		**(18,850)**	(135,072)
Purchase of financial assets at fair value through profit or loss		**(1,803,565)**	(2,005,510)
Proceeds from sale of trading securities		**623,750**	-
Wakala deposits encashed during the period		**13,260,850**	504,277
Wakala deposits made during the period		**(6,000,000)**	(1,000,000)
Roll forward of profit earned on wakala deposit		**(465,353)**	(1,471,122)
Net cash from investing activities		**5,393,548**	(4,622,195)
DECREASE IN CASH AND CASH EQUIVALENTS		**(1,964,440)**	(295,396)
Cash and cash equivalent at 1 January		**2,602,131**	2,302,274
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**8**	**637,691**	2,006,878

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

1 ACTIVITIES

Dar Al Takaful PJSC (formerly, Takaful house PJSC) (the "Company") is incorporated as a public joint stock company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company is licensed to carry out general takaful (Insurance) retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of UAE Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced its takaful operations on 1 September 2008. The Company has not carried any retakaful operations since inception.

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

From March 2011 the company started to issue short term medical takaful contracts. The contracts cover medical expenses of participants including its own employees.

2 ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's financial statements as of 31 December 2010. In addition, results for the 6 months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The articles of association of the Company require that separate accounts be maintained for takaful operations on behalf of the policyholders. Accordingly, the directors have resolved to present the financial statements on that basis and comply with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

Changes in accounting policies
The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the financial statements for the period ended 31 December 2010.

During the period, the Company has modified the basis of calculation of its Wakala fees to exclude any deduction of commissions and acquisition cost from the basis of calculation. Accordingly, wakala fees and net loss for the period attributable to shareholders has respectively increased and decreased by AED 2,365,170. Mudarib's share has also increased from 10% to 50% which increased the shareholders' income by AED 4,745.

3 SEGMENTAL INFORMATION

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

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

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

3 SEGMENTAL INFORMATION (continued)

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

Six months ended 30 June 2011	*Notes*	***Takaful fund management AED***	***Investment AED***	***Total AED***
Gross contributions written		23,752,592	-	23,752,592
Changes in unearned contributions		(2,041,684)	-	(2,041,684)
Contributions earned		21,710,908	-	21,710,908
Contributions ceded to retakaful		(3,039,533)	-	(3,039,533)
Net contribution revenue		18,671,375	-	18,671,375
Claims (net of retakful share)	6	(13,840,217)	-	(13,840,217)
Net underwriting expenses		(2,172,540)	-	(2,172,540)
Net underwriting loss		2,658,618	-	2,658,618
General and administrative expenses		(217,039)	(10,320,054)	(10,537,093)
Wakala (fees) / income		(4,858,257)	4,858,257	-
Mudarib's share		(5,931)	5,931	-
Investment income / (loss)	4	3,690	(333,123)	(329,433)
Loss for the period		**(2,418,919)**	**(5,788,989)**	**(8,207,908)**
Other comprehensive income	4	7,800	15,982	23,782
Total comprehensive loss for the period		**(2,411,119)**	**(5,773,007)**	**(8,184,126)**

Six months ended 30 June 2010	*Notes*	*Takaful fund management AED*	*Investment AED*	*Total AED*
Gross contributions written		26,814,801	-	26,814,801
Changes in unearned contributions		(15,082,929)	-	(15,082,929)
Contributions earned		11,731,872		11,731,872
Contributions ceded to retakaful		(1,893,840)	-	(1,893,840)
Net contribution revenue		9,838,032	-	9,838,032
Claims	6	(7,737,483)	-	(7,737,483)
Net underwriting expenses		(3,246,662)	-	(3,246,662)
Net underwriting loss		(1,146,113)	-	(1,146,113)
General and administrative expenses		(595,847)	(5,144,707)	(5,740,554)
Wakala (fees) / income		(2,817,974)	2,817,974	-
Mudarib's share		(9,238)	9,238	-
Investment income / (loss)	4	80,348	(246,213)	(165,865)
Loss for the period		(4,488,824)	(2,563,708)	(7,052,532)
Other comprehensive loss	4	(156,000)	(314,617)	(470,617)
Total comprehensive loss for the period		(4,644,824)	(2,878,325)	(7,523,149)

3 SEGMENTAL INFORMATION (continued)

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

30 June 2011

	Takaful fund AED	*Investment AED*	*Adjustment and eliminations AED*	*Total AED*
Total assets	**36,979,505**	**93,675,963**	**(34,280,396)**	**96,375,072**
Total liabilities	**(80,656,281)**	**(7,104,361)**	**34,280,396**	**(53,480,246)**

31 December 2010 (Audited)

	Takaful fund AED	*Investment AED*	*Adjustment and eliminations AED*	*Total AED*
Total assets	28,282,260	95,208,049	(31,542,993)	91,947,316
Total liabilities	(69,547,918)	(2,863,439)	31,542,993	(40,868,364)

Secondary segment information

For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

4 INVESTMENT INCOME

	Three months ended 30 June 2011			*Six months ended 30 June 2011*		
	Participants AED	*Shareholders AED*	*Total AED*	*Participants AED*	*Shareholders AED*	*Total AED*
Fair value gain / (loss)						
Financial assets at fair value through profit or loss account	(3,534)	(368,000)	(371,534)	(8,172)	(1,065,384)	(1,073,556)
Available-for-sale financial assets	49,400	107,444	156,844	7,800	15,982	23,782
Other investment income						
Gain on sale of trading securities	-	-	-	-	22,568	22,568
Dividend received	-	120,000	120,000	-	120,000	120,000
Income from Wakala deposits	(12,737)	220,572	207,835	11,862	589,693	601,555
Net investment loss	33,129	80,016	113,145	11,490	(317,141)	(305,651)
Loss on available-for-sale securities taken to the statement of comprehensive income	(49,400)	(107,445)	(156,845)	(7,800)	(15,982)	(23,782)
Investment (loss) / income through profit and loss	**(16,271)**	**(27,429)**	**(43,700)**	**3,690**	**(333,123)**	**(329,433)**

4 INVESTMENT INCOME (continued)

	Three months ended 30 June 2010			*Six months ended 30 June 2010*		
	Participants AED	*Shareholders AED*	*Total AED*	*Participants AED*	*Shareholders AED*	*Total AED*
Fair value loss						
Financial assets at fair value through profit or loss account	(16,360)	(1,705,510)	(1,721,870)	(12,030)	(1,900,510)	(1,912,540)
Available-for-sale financial assets	(111,800)	(257,523)	(369,323)	(156,000)	(314,617)	(470,617)
Other investment income						
Dividend received	-	117,032	117,032	-	117,032	117,032
Income from Wakala deposits	62,198	632,192	694,390	92,378	1,537,265	1,629,643
Net investment loss	(65,962)	(1,213,809)	(1,279,771)	(75,652)	(560,830)	(636,482)
Loss on available-for-sale securities taken to the statement of comprehensive income	111,800	257,523	369,323	156,000	314,617	470,617
Investment (loss) / income through profit and loss	45,838	(956,286)	(910,448)	80,348	(246,213)	(165,865)

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

5 BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended 30 June		***Six months ended 30 June***	
	2011 AED	*2010 AED*	***2011 AED***	*2010 AED*
Net loss for the period	**(4,570,581)**	(4,786,117)	**(8,200,108)**	(7,208,532)
Weighted average number of shares outstanding during the period	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Basic and diluted loss per share (AED)	**(0.045)**	(0.048)	**(0.082)**	(0.072)

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

6 CLAIMS

	Three months ended 30 June 2011			*Six months ended 30 June 2011*		
	Gross AED	***Retakaful share AED***	***Net AED***	***Gross AED***	***Retakaful share AED***	***Net AED***
Takaful claims paid	5,263,968	(880,884)	4,383,084	14,235,876	(880,884)	13,354,992
Changes in provision for outstanding claims	2,950,708	(556,278)	2,394,430	2,163,814	(1,678,589)	485,225
Claims recorded in the statement of income	8,214,676	(1,437,162)	6,777,514	16,399,690	(2,559,473)	13,840,217

	Three months ended 30 June 2010			*Six months ended 30 June 2010*		
	Gross AED	*Retakaful share AED*	*Net AED*	*Gross AED*	*Retakaful share AED*	*Net AED*
Takaful claims paid	3,577,373	-	3,577,373	6,418,814	-	6,418,814
Changes in provision for outstanding claims	1,047,743	-	1,047,743	1,318,669	-	1,318,669
Claims recorded in the statement of income	4,625,116	-	4,625,116	7,737,483	-	7,737,483

A participant under a fire takaful contract has filed a law suit against the Company to claim a loss due to a fire in its premises. During 2010, the Company paid an amount of AED 30,148,653 to Dubai Courts in execution of a formal injunction dated 16 August 2010 to settle the fire claim amount.

In relation to this fire claim, the Company has made a cash call of AED 29.2 million to its retakaful companies representing the retakaful share of loss as per retakaful treaties. This was rejected by retakaful companies based on an exclusion clause, which led the Company and its retakaful companies to enter into an arbitration process in order to settle their dispute on the interpretation of this exclusion clause. In the financial statements of the prior period ended 31 December 2009, the Company accounted for the retakaful share of the loss and made a full provision on the retakaful receivables.

7 FINANCIAL INSTRUMENTS

	30 June 2011		*31 December 2010 (Audited)*	
	Carrying value AED	***Fair value AED***	*Carrying value AED*	*Fair value AED*
Financial assets at fair value through profit or loss	4,710,946	4,710,946	4,582,118	4,582,118
Available-for-sale financial assets	911,027	911,027	887,245	887,245
	5,621,973	**5,621,973**	5,469,363	5,469,363

7 FINANCIAL INSTRUMENTS (continued)

	30 June 2011 AED	*31 December 2010 AED (Audited)*
Attributable to:		
Shareholders	**5,357,827**	5,204,845
Participants (Note 11)	**264,146**	264,518
	5,621,973	5,469,363

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

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

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

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

All financial instruments recorded at fair value by the Company are classified as level 1.

8 CASH AND BANK BALANCES

	30 June 2011 AED	*31 December 2010 AED (Audited)*
Cash	26,227	6,376
Bank balances	611,464	2,595,755
	637,691	2,602,131
Attributable to:		
Shareholders	123,195	48,174
Participants (Note 11)	514,496	2,553,957
	637,691	2,602,131

9 SHARE CAPITAL

	30 June 2011 AED	*31 December 2010 AED (Audited)*
Authorised, issued and fully paid		
100,000,000 shares of AED 1 each	**100,000,000**	100,000,000

10 DEFICIT IN PARTICIPANTS' FUND

	30 June 2011 AED	*31 December 2010 AED (Audited)*
Qard Hassan against deficit in participants' fund	**43,676,776**	41,265,658
Less: Provision against Qard Hassan to participants' fund	**(25,137,884)**	(22,726,766)
Net deficit in participants' fund	**18,538,892**	18,538,892

The shareholders have funded the deficit in the participants' fund in accordance with the Company's policy through a Qard Hassan of AED 43,676,776 (2010: AED 41,265,658) free of finance charge with no repayment terms. As at 30 June 2011, Qard Hassan at nominal value of AED 25,137,884 was impaired (December 2010: AED 22,726,766).

The management expects to recover the remaining balance from the future profits attributable to participants, including amount that is expected to be recovered as a result of the arbitration described in note 6.

11 PARTICIPANTS' FUND ASSETS AND LIABILITIES

	Notes	*30 June 2011 AED*	*31 December 2010 AED (Audited)*
Investment securities	7	264,146	264,518
Takaful receivables		26,271,762	19,648,423
Retakaful assets		6,522,719	1,828,087
Prepayments and other assets		3,406,382	1,359,836
Wakala deposits		-	2,627,439
Cash and bank balances	8	514,496	2,553,957
Participants' fund assets		36,979,505	28,282,260
Takaful contract liabilities		(36,479,549)	(30,918,487)
Takaful payables		(9,896,336)	(7,086,438)
Participants' fund liabilities		(46,375,885)	(38,004,925)
Expenses payable to Shareholders		(34,280,396)	(31,542,993)
Total takaful fund liabilities		(80,656,281)	(69,547,918)
Accumulated deficit at the end of the period		(43,676,776)	(41,265,658)

12 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Balances with related parties

Balances with related parties included in the interim statement of financial position are as follows:

	30 June 2011 AED	*31 December 2010 AED (Audited)*
Placements with Islamic financial institutions		
Shareholders		
Mawarid Finance PJSC	33,207,203	46,002,702
Due from related parties		
Al Jazeerah Financial Services	442,004	650,888
Due to a related party		
Mawarid Finance PJSC	1,440,592	1,229,226

b) Transactions with related parties

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

	Three months ended 30 June		*Six months ended 30 June*	
	2011 AED	*2010 AED*	*2011 AED*	*2010 AED*
Income from wakala deposits				
Major Shareholders				
Mawarid Finance PJSC (Note 4)	207,836	694,390	601,555	1,629,643
Contributions earned				
Major Shareholders	1,122,361	1,589,393	1,290,805	1,631,346
Commission paid				
Major Shareholders				
Mawarid Finance PJSC	-	-	97,215	5,677
Management charges paid				
Major Shareholders				
Mawarid Finance PJSC	-	150,000	150,000	300,000

c) Compensation of key management personnel

	30 June 2011 AED	*30 June 2010 AED*
Short-term benefits	1,788,000	1,001,110
Employees' end of service benefits	68,522	26,675
	1,856,522	1,027,785

13 FATWA AND SHARI'A SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Fatwa and Shari'a Supervisory Board (FSSB) consisting of three members appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shari'a rules and principles.

14 COMMITMENTS AND GUARANTEES

Commitments

The Company has the capital expenditure commitment for IT related contracts and Head office expansion and renovation of AED 705,000 (December 2010: AED Nil).

Guarantees

As at 30 June 2011, the Company has financial guarantees against labour and third party commitments for AED 52,000 (December 2010: 131,750) held by the Lebanese Insurance Company- Oman.