Takaful House PJSC

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2010 (UNAUDITED)

ERNST & YOUNG

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL HOUSE PJSC

Introduction

We have reviewed the accompanying interim condensed financial statements of Takaful House PJSC (the "Company") as at 30 June 2010, comprising of the interim statement of financial position as at 30 June 2010 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

Without qualifying our conclusion, we draw attention to notes 6 and 10 to the interim condensed financial statements:

- As stated in note 6, 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. After a first instance judgement has confirmed the participant's claim and related legal expenses for AED 31 million, the appeal court cancelled this judgement and appointed an expert to examine the fire claim case. For prudence purpose, management has decided to make full provision for the claim amount in the financial statements of the period ended 31 December 2009. 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 period ended 31 December 2009, the Company accounted for the retakaful share of the loss and made a full provision on the retakaful receivables.

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL HOUSE PJSC *(continued)*

Emphasis of matters (continued)

- As stated in note 10, in accordance with the Company's policy, the shareholders have funded the comprehensive loss in the participants' fund through a Qard Hassan (loan free of finance charge with no repayment terms) of AED 41,720,508. As at 30 June 2010, Qard Hassan at nominal value of AED 23,181,616 was impaired and charged to the statement of income for the period. The management expects to recover the remaining balance from the future profits attributable to participants.

Signed by:

Ernst & Young

Farrukh Seer
Partner
Registration No. 491

Dubai, United Arab Emirates
27 July 2010

Takaful House PJSC

INTERIM STATEMENT OF INCOME

Period ended 30 June 2010 (Unaudited)

	Notes	*Three months ended 30 June* 2010 AED	*Three months ended 30 June* 2009 AED	*Six months ended 30 June* 2010 AED	*Six months ended 30 June* 2009 AED
ATTRIBUTABLE TO PARTICIPANTS					
Contributions earned		**9,006,818**	3,500,457	**13,110,088**	5,582,639
Contributions ceded to retakaful		**(2,857,885)**	(177,626)	**(3,272,056)**	(475,006)
Net contributions revenue		**6,148,933**	3,322,831	**9,838,032**	5,107,633
Commission received on ceded contributions		**222,348**	(5,699)	**325,570**	51,596
Policy and survey fees		**68,375**	42,331	**124,275**	81,436
		6,439,656	3,359,463	**10,287,877**	5,240,665
UNDERWRITING EXPENSES					
Claims	6	**(4,625,116)**	(2,626,130)	**(7,737,483)**	(3,876,823)
Commission paid		**(1,412,803)**	(437,366)	**(2,182,183)**	(1,188,644)
Excess of loss retakaful		**(991,613)**	(77,851)	**(1,514,324)**	(155,700)
NET UNDERWRITING (LOSS) / PROFIT		**(589,876)**	218,116	**(1,146,113)**	19,498
Wakala fees		**(1,773,450)**	(1,119,675)	**(2,817,974)**	(1,960,034)
Expenses allocated to participants		**(399,511)**	(106,087)	**(595,847)**	(202,785)
NET LOSS FROM TAKAFUL OPERATIONS		**(2,762,837)**	(1,007,646)	**(4,559,934)**	(2,143,321)
Investment income	4	**45,838**	120,461	**80,348**	144,267
Mudarib's share		**(6,220)**	-	**(9,238)**	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO PARTICIPANTS	3	**(2,723,219)**	(887,185)	**(4,488,824)**	(1,999,054)
ATTRIBUTABLE TO SHAREHOLDERS					
INCOME					
Wakala fees from participants		**1,773,450**	1,119,676	**2,817,974**	1,960,034
Mudarib's share		**6,219**	-	**9,238**	-
Investment (loss) / income	4	**(956,286)**	2,104,186	**(246,213)**	3,187,860
Other income		**-**	290,000	**-**	290,000
		823,383	3,513,862	**2,580,999**	5,437,894
EXPENSES					
General and administrative expenses		**(2,774,481)**	(1,968,767)	**(5,144,707)**	(3,522,635)
(LOSS) / PROFIT FOR THE PERIOD BEFORE QARD HASSAN		**(1,951,098)**	1,545,095	**(2,563,708)**	1,915,259
Provision against Qard Hassan to participants	10	**(2,835,019)**	(887,185)	**(4,644,824)**	(1,993,232)
(LOSS) / PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		**(4,786,117)**	657,910	**(7,208,532)**	(77,973)
Basic and diluted (loss) / earnings per share	5	**(0.048)**	0.007	**(0.072)**	(0.0007)

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2010 (unaudited)

	Notes	*Three months ended 30 June* 2010 AED	2009 AED	*Six months ended 30 June* 2010 AED	2009 AED
ATTRIBUTABLE TO PARTICIPANTS					
Loss for the period		**(2,723,219)**	(887,185)	**(4,488,824)**	(1,999,054)
Other comprehensive loss					
Unrealised (loss) / gain on available-for-sale-investments	4	**(111,800)**	-	**(156,000)**	5,822
Other comprehensive (loss) / gain for the period		**(111,800)**	-	**(156,000)**	**5,822**
Total comprehensive loss for the period attributable to participants	3	**(2,835,019)**	(887,185)	**(4,644,824)**	1,993,232
ATTRIBUTABLE TO SHAREHOLDERS					
(Loss) / Profit for the period		**(4,786,117)**	657,910	**(7,208,532)**	(77,973)
Other comprehensive loss					
Unrealised loss on available-for-sale-investments	4	**(257,523)**	-	**(314,617)**	-
Other comprehensive loss for the period		**(257,523)**	-	**(314,617)**	-
Total comprehensive loss for the period attributable to shareholders	3	**(5,043,640)**	657,910	**(7,523,149)**	(77,973)

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

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	Notes	*30 June 2010 AED (Unaudited)*	*31 December 2009 AED (Audited)*
ASSETS			
Property and equipment		**12,210,617**	12,262,721
Intangible assets		**1,112,430**	1,242,850
Investment securities	7	**4,954,970**	5,164,588
Participants' fund assets	11	**28,535,368**	10,322,313
Prepayments and other receivables		**6,418,150**	7,046,851
Wakala deposits		**72,454,904**	71,558,338
Cash and bank balances	8	**481,086**	1,200,401
TOTAL ASSETS		**126,167,525**	108,798,062
EQUITY, PARTICIPANT FUND AND LIABILITIES			
Shareholders' Equity			
Share capital	9	**100,000,000**	100,000,000
Accumulated losses		**(28,296,152)**	(21,087,620)
Available-for-sale investments reserve		**(385,412)**	(70,795)
Total shareholders' equity		**71,318,436**	78,841,585
Participants' fund			
Qard Hassan against deficit in participants' fund	10	**(41,720,508)**	(37,075,684)
Less: Provision against Qard Hassan to participants' fund	10	**23,181,616**	18,536,792
Deficit in participants' fund	10	**(18,538,892)**	(18,538,892)
Liabilities			
Participants' fund liabilities	11	**70,255,876**	47,397,997
Other liabilities		**3,132,105**	1,097,372
Total liabilities		**73,387,981**	48,495,369
TOTAL EQUITY, PARTICIPANTS' FUND AND LIABILITIES		**126,167,525**	108,798,062

The financial statements were authorised for issue by the directors on 27 July 2010.

Mohamed Ali Al-Neaimi
Chairman

Ayman Al Ajmi
Chief Executive Officer

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

INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2010

	Share capital AED	*Accumulated losses AED*	*Available-for-sale investments reserve AED*	*Total AED*
Balance at 1 January 2010	100,000,000	(21,087,620)	(70,795)	78,841,585
Loss for the 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**
Balance at 1 January 2009	100,000,000	(3,383,113)	-	96,616,887
Loss for the period	-	(77,973)	-	(77,973)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	(77,973)	-	(77,973)
Balance at 30 June 2009 (Unaudited)	100,000,000	(3,461,086)	-	96,538,914

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

INTERIM STATEMENT OF CASH FLOWS
Period ended 30 June 2010 (Unaudited)

	Notes	*Six months ended 30 June* **2010** **AED**	2009 AED
OPERATING ACTIVITIES			
Loss for the period		**(7,208,532)**	(77,973)
Adjustments for:			
Depreciation		**566,872**	275,109
Amortization		**265,492**	-
Changes in the fair value of financial assets at fair value through profit or loss	4	**1,912,540**	(600,574)
Changes in fair value of available-for-sale financial assets	4	**156,000**	(5,822)
Gain on sale of trading securities	4	**-**	(588,380)
Income from Wakala deposits	4	**(1,629,643)**	(1,959,873)
Provision against Qard Hassan to Participants' fund	10	**4,644,824**	1,993,232
Provision for leave salary		**100,512**	-
Provision for employees' end of service benefits		**56,191**	11,623
		(1,135,744)	(952,658)
Changes in operating assets and liabilities:			
Qard Hassan to participants' fund	10	**(4,644,824)**	(1,993,232)
Takaful receivables		**(13,819,643)**	(3,677,290)
Prepaid acquisition cost	11	**(1,634,111)**	-
Prepaid Wakala fees	11	**(1,405,513)**	-
Prepayments and other receivables		**601,082**	(1,587,517)
Takaful contract liabilities		**22,471,589**	8,818,023
Takaful payables		**386,290**	69,972
Other liabilities		**2,041,831**	1,258,612
Cash from operations		**2,860,957**	1,935,910
Leave salary paid		**(86,893)**	-
End of service benefits paid		**(76,908)**	-
Net cash from operating activities		**2,697,156**	1,935,910
INVESTING ACTIVITIES			
Purchase of property and equipment		**(514,768)**	(1,651,430)
Acquisition of intangible assets		**(135,072)**	-
Purchase of financial assets at fair value through profit or loss		**(2,005,510)**	(1,878,250)
Proceeds from sale of trading securities		**504,277**	983,178
Wakala deposits encashed during the period		**(2,471,122)**	-
Profit received on wakala deposits		**1,629,643**	1,959,874
Net cash used in investing activities		**(2,992,552)**	(586,628)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(295,396)**	1,349,282
Cash and cash equivalent at 1 January		**2,302,274**	1,651,537
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2,006,878**	3,000,819

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

1 ACTIVITIES

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

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

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.

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 2009. In addition, results for the three months and six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

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 2009.

New accounting policy
For major customers with high portfolio contribution, the policy acquisition cost are charged to the statement of income in line with the earned portion of the related policy premium. The proportion attributable to subsequent periods is deferred as prepaid acquisition cost (Note 11).

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 and Mudarib's share, 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.

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

3 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

Six months ended 30 June 2010	*Notes*	***Takaful fund management AED***	***Investment AED***	***Total AED***
Contributions earned		**13,110,088**	-	**13,110,088**
Contributions ceded to retakaful		**(3,272,056)**	-	**(3,272,056)**
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)**

Six months ended 30 June 2009	*Notes*	*Takaful fund management AED*	*Investment AED*	*Total AED*
Contributions earned		5,582,639	-	5,582,639
Contributions ceded to retakaful		(475,006)	-	(475,006)
Net contribution revenue		5,107,633	-	5,107,633
Claims	6	(3,876,823)	-	(3,876,823)
Net underwriting expenses		(1,211,312)	-	(1,211,312)
Net underwriting income		19,498	-	19,498
General and administrative expenses		(202,785)	(3,522,635)	(3,725,420)
Wakala (fees) / income		(1,960,034)	1,960,034	-
Net other income		-	290,000	290,000
Mudarib's share		-	-	-
Investment income	4	144,267	3,187,860	3,332,127
(Loss) / profit for the period		(1,999,054)	1,915,259	(83,795)
Other comprehensive income	4	5,822	-	5,822
Total comprehensive (loss) / income for the period		(1,993,232)	1,915,259	(77,973)

3 SEGMENTAL INFORMATION (continued)

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

30 June 2010

	Takaful fund AED	*Investment AED*	*Total AED*
Total assets	**28,535,368**	**97,632,157**	**126,167,525**
Total liabilities	**70,255,876**	**3,132,105**	**73,387,981**

31 December 2009

	Takaful fund AED	*Investment AED*	*Total AED*
Total assets	10,322,313	98,475,749	108,798,062
Total liabilities	47,397,997	1,097,372	48,495,369

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 2010			*Six months ended 30 June 2010*		
	Participant AED	***Shareholder AED***	***Total AED***	***Participant AED***	***Shareholder 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 income through profit or loss	**45,838**	**(956,286)**	**(910,448)**	**80,348**	**(246,213)**	**(165,865)**

4 INVESTMENT INCOME (continued)

	Three months ended 30 June 2009			*Six months ended 30 June 2009*		
	Participant AED	*Shareholder AED*	*Total AED*	*Participant AED*	*Shareholder AED*	*Total AED*
Fair value gain						
Financial assets at fair value through profit or loss account	7,549	737,354	744,903	13,249	587,325	600,574
Available-for-sale financial assets	-	-	-	5,822	-	5,822
Realised gain						
Trading of securities	78,835	230,861	309,696	78,835	509,545	588,380
Other investment income						
Dividend received	-	183,300	183,300	-	183,300	183,300
Income from Wakala deposits	34,077	952,671	986,748	52,183	1,907,690	1,959,873
Net investment income	120,461	2,104,186	2,224,647	150,089	3,187,860	3,337,949
Loss on available-for-sale securities taken to the statement of comprehensive income	-	-	-	(5,822)	-	(5,822)
Investment income through profit or loss	120,461	2,104,186	2,224,647	144,267	3,187,860	3,332,127

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

5 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / earnings 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***	
	2010 AED	*2009 AED*	***2010 AED***	*2009 AED*
Net (loss)/profit for the period	**(4,786,117)**	657,910	**(7,208,532)**	(77,973)
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) / earnings per share (AED)	**(0.048)**	0.007	**(0.072)**	(0.0007)

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

6 CLAIMS

	30 June 2010 AED	*30 June 2009 AED*
Takaful claims paid	**6,418,814**	161,083
Changes in provision for outstanding claims	**1,318,669**	3,715,740
	7,737,483	3,876,823

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. After a first instance judgement confirmed the participant's claim and related legal expenses for AED 31 million, the appeal court cancelled this judgement and appointed an expert to examine the fire claim case. For prudence purpose, management has decided to make full provision for the claim amount in the financial statements of the period ended 31 December 2009.

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 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 2010		*31 December 2009 (Audited)*	
	Carrying Value AED	***Fair Value AED***	*Carrying Value AED*	*Fair Value AED*
Financial assets at fair value through profit or loss	**4,437,240**	**4,437,240**	4,344,270	4,344,270
Available-for-sale financial assets	**735,970**	**735,970**	1,206,588	1,206,588
	5,173,210	**5,173,210**	5,550,858	5,550,858

	30 June 2010 AED	*31 December 2009 AED (Audited)*
Attributable to:		
Shareholders	**4,954,970**	5,164,588
Participants (Note 11)	**218,240**	386,270
	5,173,210	5,550,858

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

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

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

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

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

8 CASH AND BANK BALANCES

	30 June 2010 AED	*31 December 2009 AED (Audited)*
Cash	**10,293**	3,967
Bank balances	**1,996,585**	2,298,307
	2,006,878	2,302,274
Attributable to:		
Shareholders	**481,086**	1,200,401
Participants (Note 11)	**1,525,792**	1,101,873
	2,006,878	2,302,274

9 SHARE CAPITAL

	30 June 2010 AED	*31 December 2009 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 2010 AED	*31 December 2009 AED (Audited)*
Qard Hassan against deficit in participants' fund	**41,720,508**	37,075,684
Less: Provision against Qard Hassan to participants' fund	**(23,181,616)**	(18,536,792)
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 (loan free of finance charge with no repayment terms) of AED 41,720,508. As at 30 June 2010, Qard Hassan at nominal value of AED 23,181,616 was impaired. Movements in the allowance for impairment during the period was as follows:

	30 June 2010 AED	*31 December 2009 AED (Audited)*
At the beginning of the period	**18,536,792**	-
Charge for the period	**4,644,824**	18,536,792
At the end of the period	**23,181,616**	18,536,792

The management expects to recover the remaining balance from the future profits attributable to participants.

11 PARTICIPANTS' FUND ASSETS AND LIABILITIES

	Notes	*30 June 2010 AED*	*31 December 2009 AED (Audited)*
ASSETS			
Investment securities	7	**218,240**	386,270
Takaful receivables		**18,926,124**	5,106,481
Prepaid acquisition cost		**1,634,111**	-
Prepaid Wakala fees		**1,405,513**	-
Prepayments and other assets		**127,836**	100,218
Wakala deposits		**4,697,752**	3,627,471
Cash and bank balances	8	**1,525,792**	1,101,873
TOTAL ASSETS		**28,535,368**	10,322,313
Takaful contract liabilities		**(60,490,442)**	(42,287,637)
Takaful payables		**(5,199,701)**	(1,563,974)
Expenses payable to Shareholders		**(4,565,733)**	(3,546,386)
TOTAL LIABILITIES		(70,255,876)	(47,397,997)
Net deficit for the period		**(41,720,508)**	(37,075,684)

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 2010 AED	*31 December 2009 AED (Audited)*
Shareholders		
Wakala deposits and other funds with Mawarid Finance PJSC	**77,152,656**	75,185,809
Due from related parties		
Al Jazeerah Financial Services	**622,526**	2,628,036
Due to a related party		
Mawarid Finance PJSC	**443,712**	350,000

12 RELATED PARTY TRANSACTIONS (continued)

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*	
	2010 AED	*2009 AED*	***2010 AED***	*2009 AED*
Income from wakala deposits				
Major Shareholders				
Mawarid Finance PJSC	**694,390**	986,748	**1,629,643**	1,959,873
Contributions earned				
Major Shareholders	**1,589,393**	39,814	**1,631,346**	40,085
Other income				
Major Shareholders				
Mawarid Finance PJSC	**-**	290,000	**-**	290,000
Management charges paid				
Major Shareholders				
Mawarid Finance PJSC	**150,000**	150,000	**300,000**	300,000

c) Compensation of key management personnel

	30 June 2010 AED	*30 June 2009 AED*
Short-term benefits	**1,001,110**	300,000
Employees' end of service benefits	**26,675**	38,090
	1,027,785	338,090

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

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

	30 June 2010 AED	*31 December 2009 AED (Audited)*
Development of new software	**60,000**	85,000
Decoration of new branch office	**-**	285,000
	60,000	370,000