

**Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance
& Reinsurance Company Q.S.C.)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2011

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF AL KHALEEJ TAKAFUL GROUP Q.S.C.
(FORMERLY AL KHALEEJ TAKAFUL INSURANCE & REINSURANCE COMPANY Q.S.C.)**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Khaleej Takaful Group Q.S.C. (Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.) (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 30 June 2011, comprising of the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in participants’ fund, changes in equity and cash flows for the six-month period then ended and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in Note 3. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the 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 performed in accordance with International Standards on Auditing. Consequently, it 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 consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in Note 3.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the interim condensed consolidated financial statements. During 2010, the Board of Directors of the Company decided to adopt the same accounting framework of Qatar Takaful Company S.O.C. (QTC), a subsidiary, which are the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Since the segregation of the claims incurred relating to policyholders and shareholders was in process and was completed only at year ended 31 December 2010, the insurance transactions of the Company for the six months period ended 30 June 2010 was not segregated between the policyholders and shareholders and are presented in the policyholders statement of income for the six months period ended 30 June 2010.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 9 August 2011
Doha

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	<i>Note</i>	30 June 2011 QR (Unaudited)	31 December 2010 QR (Audited)
ASSETS			
Policyholders' assets			
Bank balances and cash		22,204,751	45,916,185
Time deposits		800,000	800,000
Available-for-sale investments	4	2,107,704	2,083,002
Takaful balances receivable		47,107,526	45,480,856
Retakaful balances receivable		17,779,335	20,906,326
Retakaful share of unearned contribution		65,189,985	68,290,055
Retakaful share of gross outstanding claims		32,303,849	25,527,865
Other receivables and prepayments		25,392,780	57,402,291
Investment properties		35,212,845	9,157,500
Property and equipment		459,686	82,510
Total policyholders' assets		248,558,461	275,646,590
Shareholders' assets			
Bank balances and cash		16,688,806	13,070,089
Time deposits		100,000	7,100,000
Available-for-sale investments	4	371,366,756	384,654,172
Investment in an associate		21,454,007	21,454,007
Takaful balances receivable		3,962,100	7,269,897
Retakaful balances receivable		494,742	561,905
Retakaful share of gross outstanding claims		15,691,026	22,400,568
Other receivables and prepayments		14,080,792	42,584,992
Investment properties		167,107,457	192,319,703
Property and equipment		8,002,080	8,190,518
Capital work-in-progress		5,077,023	1,283,516
Total shareholders' assets		624,024,789	700,889,367
TOTAL ASSETS		872,583,250	976,535,957

Continued...

The attached notes 1 to 7 form part of these consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>30 June 2011 QR (Unaudited)</i>	<i>31 December 2010 QR (Audited)</i>
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES		
Shareholders' equity		
Share capital	142,296,000	142,296,000
Statutory reserve	73,074,531	73,074,531
General reserve	48,971	48,971
Proposed cash dividends	-	42,688,800
Cumulative changes in fair values	164,324,968	202,140,573
Retained earnings	172,742,792	115,723,556
Total shareholders' equity	552,487,262	575,972,431
Shareholders' Liabilities		
Liabilities arising from insurance contracts:		
Gross outstanding claims	25,577,912	33,345,854
Accounts payable and other liabilities	39,915,968	86,233,875
Retakaful and takaful balances payable	744,287	556,867
Employees' end of service benefits	5,299,360	4,780,340
	45,959,615	91,571,082
Total shareholders' liabilities	71,537,527	124,916,936
Shareholders' equity and liabilities	624,024,789	700,889,367
Participants' fund		
(Deficit) surplus in participants' fund	(2,071,477)	274,202
Cumulative changes in fair values	(61,386)	2,754
	(2,132,863)	276,956
Policyholders' liabilities		
Liabilities arising from insurance contracts:		
Unearned contributions	129,176,645	135,027,196
Gross outstanding claims	56,582,153	51,423,300
Claims incurred but not reported	5,725,347	5,683,686
	191,484,145	192,134,182
Accounts payable and other liabilities	29,785,866	53,055,281
Retakaful and takaful balances payable	28,509,514	29,301,538
Employees' end of service benefits	911,799	878,633
	59,207,179	83,235,452
Policyholders' liabilities and Participants' Fund	248,558,461	275,646,590
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES	872,583,250	976,535,957

Abdulla Bin Mohammed Jaber Al Thani
Chairman

Abdulla Bin Ahmed Al Thani
Deputy Chairman

Jassim Ali Abdul Rahman Al Moftah
Chief Executive Officer

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (POLICY HOLDERS)
Six Months Period Ended 30 June 2011

	<i>Note</i>	<i>Six Months Period Ended</i>	
		30 June 2011 QR (Unaudited)	30 June 2010 QR (Unaudited)
POLICYHOLDERS' REVENUES AND EXPENSES			
Gross contributions		143,987,726	137,813,287
Retakaful share		(85,329,651)	(69,655,007)
Retained contributions		58,658,075	68,158,280
Movement in unearned contributions		1,594,587	(3,330,834)
Net retained contributions		60,252,662	64,827,446
Retakaful commission and other takaful income		15,284,930	12,352,578
Total takaful revenues		75,537,592	77,180,024
Claims paid		63,655,541	70,008,626
Retakaful share of claims paid		(20,610,834)	(18,894,999)
Net claims paid		43,044,707	51,113,627
Commission and other takaful expenses		7,355,652	4,221,355
Movement in other insurance reserves		(1,575,470)	5,376,690
Total takaful expenses		48,824,889	60,711,672
SURPLUS FROM TAKAFUL OPERATIONS	5	26,712,703	16,468,352
Investment income of takaful policyholders		258,678	114,358
		26,971,381	16,582,710
OTHER EXPENSES			
Wakala fees		(25,917,790)	(24,806,391)
Depreciation		(320,255)	(402,862)
Impairment loss on investments		(139,941)	-
		(26,377,986)	(25,209,253)
SURPLUS (DEFICIT) FOR THE PERIOD TRANSFERRED TO PARTICIPANTS' FUND		593,395	(8,626,543)

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (SHAREHOLDERS)
Six Months Period Ended 30 June 2011

	Notes	Six Months Period Ended	
		30 June 2011 QR (Unaudited)	30 June 2010 QR (Unaudited)
SHAREHOLDERS' REVENUES AND EXPENSES			
Gross contributions		-	-
Retakaful share		-	-
Retained contributions		-	-
Movement in unearned contributions		-	-
Net retained contributions		-	-
Retakaful commission and other takaful income		-	-
Total takaful revenues		-	-
Claims paid		9,953,584	-
Retakaful share of claims paid		(5,089,923)	-
Net claims paid		4,863,661	-
Commission and other takaful expenses		-	-
Movement in other insurance reserves		(1,058,400)	-
Total takaful expenses		3,805,261	-
DEFICIT FROM TAKAFUL OPERATIONS	5	(3,805,261)	-
Wakala income		25,917,790	24,806,391
Mudarib income		264,666	59,915
Income from deposits		356,076	449,455
Dividend income		23,257,496	23,776,567
Net realised gains on sale of available-for-sale investments		2,596,784	29,142,259
Rental income		3,438,438	3,048,449
Gain on sale of investment properties		21,316,264	-
Other income		1,104,201	148,793
TOTAL INVESTMENT AND OTHER INCOME		78,251,715	81,431,829
General and administrative expenses		(16,111,521)	(15,846,396)
Depreciation		(1,315,697)	(1,309,010)
TOTAL EXPENSES		(17,427,218)	(17,155,406)
SHAREHOLDERS' PROFIT FOR THE PERIOD		57,019,236	64,276,423
Basic/Diluted Earnings Per Share	6	4.01	4.51

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
 (Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME

Six Months Period Ended 30 June 2011

	<i>Six Months Period Ended</i>	
	<i>30 June 2011 QR (Unaudited)</i>	<i>30 June 2010 QR (Unaudited)</i>
Shareholders' profit for the period	<u>57,019,236</u>	<u>64,276,423</u>
Other comprehensive income (loss)		
Net recognised gains and losses on available-for-sale investments	(2,596,784)	29,142,259
Transfer to consolidate statement of income on impairment of available-for-sale investments	139,941	-
Net movement in fair value of available-for-sale investments	<u>(35,358,762)</u>	<u>(57,347,235)</u>
Other comprehensive loss for the period	<u>(37,815,605)</u>	<u>(28,204,976)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>19,203,631</u>	<u>36,071,447</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six Months Period Ended 30 June 2011

	<i>Six Months Period Ended</i>	
	<i>30 June 2011 QR (Unaudited)</i>	<i>30 June 2010 QR (Unaudited)</i>
OPERATING ACTIVITIES		
Participants' surplus (deficit) for the period	593,395	(8,626,543)
Shareholders' profit for the period	<u>57,019,236</u>	<u>64,276,423</u>
	57,612,631	55,649,880
Adjustment for:		
Movement in unearned contributions (net)	(2,750,483)	2,595,377
Depreciation	1,635,952	1,711,872
Impairment loss	139,941	-
Interest income	(356,076)	(449,455)
Net realised gain on sale of available-for-sale investments	(2,411,033)	(29,256,617)
Dividend income	(23,257,496)	(23,776,567)
Gain on disposal of investment properties	(21,814,820)	-
Rental income	(3,438,438)	(3,048,449)
Gain on disposal of property and equipment	(40,624)	(16,163)
Provision for impairment of receivables	-	975,321
Provision for employees' end of service benefits	<u>643,897</u>	<u>716,864</u>
	5,963,451	5,102,063
Operating profit before changes in operating assets and liabilities	(3,352,800)	(12,990,217)
Takaful and retakaful balances receivable	(66,442)	(5,821,522)
Retakaful's share of gross outstanding claims	59,366,165	1,881,966
Other receivables and prepayments	(2,609,089)	11,244,676
Gross outstanding claims	41,661	(46,464)
Claims incurred but not reported	(59,604,271)	(19,977,004)
Accounts payable and other liabilities	(854,414)	12,060,188
Retakaful and takaful balances payable	<u>(91,711)</u>	<u>(219,633)</u>
Employees' end of service benefits paid		
	(1,207,450)	(8,765,947)
Net cash used in operating activities		
INVESTING ACTIVITIES		
Net movement in available-for-sale investments	(22,345,939)	25,216,179
Purchase of investment properties	(41,501,419)	(12,751,015)
Purchase of property and equipment	(603,431)	(283,137)
Proceeds from disposal of property and equipment	62,248	3,651
Proceeds from disposal of investment properties	61,230,256	-
Capital work-in-progress	(3,793,507)	(1,350,830)
Interest received	356,076	449,455
Dividend received	23,257,496	23,776,567
Rental income received	3,438,438	3,048,449
Time deposit with maturities in excess of 3 months	<u>7,000,000</u>	<u>(4,700,000)</u>
	27,100,218	33,409,319
Net cash from investing activities		
FINANCING ACTIVITIES		
Dividend paid	(43,046,411)	(40,657,766)
Net surplus distribution to policyholders	<u>(2,939,074)</u>	<u>(1,723,414)</u>
	(45,985,485)	(42,381,180)
Net cash used in financing activities		
DECREASE IN CASH AND CASH EQUIVALENTS	(20,092,717)	(17,737,808)
Cash and cash equivalents at 1 January	<u>58,986,274</u>	<u>68,960,038</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>38,893,557</u>	<u>51,222,230</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.

(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN PARTICIPANTS' FUND

Six Months Period Ended 30 June 2011

	<i>Participants' fund QR</i> <i>(Unaudited)</i>	<i>Cumulative changes in fair values QR</i> <i>(Unaudited)</i>	<i>Total QR</i> <i>(Unaudited)</i>
Balance as at 1 January 2010	10,403,604	-	10,403,604
Deficit for the period	(8,626,543)	-	(8,626,543)
Surplus distribution during the period	<u>(1,723,414)</u>	<u>-</u>	<u>(1,723,414)</u>
Balance as at 30 June 2010	<u>53,647</u>	<u>-</u>	<u>53,647</u>
Balance as at 1 January 2011	274,202	2,754	276,956
Surplus for the period	593,395	-	593,395
Net movement in fair values of available-for-sale investments	-	(64,140)	(64,140)
Surplus distribution during the period	<u>(2,939,074)</u>	<u>-</u>	<u>(2,939,074)</u>
Balance as at 30 June 2011	<u>(2,071,477)</u>	<u>(61,386)</u>	<u>(2,132,863)</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.

(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six Months Period Ended 30 June 2011

	<i>Share capital QR</i>	<i>Statutory reserve QR</i>	<i>General reserve QR</i>	<i>Proposed cash dividends QR</i>	<i>Cumulative changes in fair value QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2011	<u>142,296,000</u>	<u>73,074,531</u>	<u>48,971</u>	<u>42,688,800</u>	<u>202,140,573</u>	<u>115,723,556</u>	<u>575,972,431</u>
Profit attributable to shareholders	-	-	-	-	-	57,019,236	57,019,236
Other comprehensive loss for the period	-	-	-	-	(37,815,605)	-	(37,815,605)
Total comprehensive income for the period	-	-	-	-	(37,815,605)	57,019,236	19,203,631
Cash dividends	-	-	-	(42,688,800)	-	-	(42,688,800)
Balance at 30 June 2011	<u>142,296,000</u>	<u>73,074,531</u>	<u>48,971</u>	<u>-</u>	<u>164,324,968</u>	<u>172,742,792</u>	<u>552,487,262</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.

(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Six Months Period Ended 30 June 2010

	<i>Share capital QR</i>	<i>Statutory reserve QR</i>	<i>General reserve QR</i>	<i>Proposed cash dividends QR</i>	<i>Cumulative changes in fair value QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2010	<u>142,296,000</u>	<u>72,241,531</u>	<u>48,971</u>	<u>42,688,800</u>	<u>152,836,837</u>	<u>88,225,616</u>	<u>498,337,755</u>
Profit attributable to shareholders	-	-	-	-	-	64,276,423	64,276,423
Other comprehensive loss for the period	-	-	-	-	(28,204,976)	-	(28,204,976)
Total comprehensive income for the period	-	-	-	-	(28,204,976)	64,276,423	36,071,447
Cash dividends	-	-	-	(42,688,800)	-	-	(42,688,800)
Balance at 30 June 2010	<u>142,296,000</u>	<u>72,241,531</u>	<u>48,971</u>	<u>-</u>	<u>124,631,861</u>	<u>152,502,039</u>	<u>491,720,402</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2011

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Khaleej Takaful Group Q.S.C. (Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.) (the "Company") is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 53 issued on 21 December 1978 and listed on Qatar Exchange. The Company and its subsidiaries (together referred to as the "Group") are engaged in the business of insurance, reinsurance, life insurance (Takaful) and real estate investment.

Following the resolution issued in the Extraordinary General Meeting held on 21 February 2011, the Parent Company modified its name to Al Khaleej Takaful Group Q.S.C.

The interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The subsidiaries are as follows:

<i>Name of subsidiary</i>	<i>Ownership</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Qatar Takaful Company S.O.C. (QTC)	100%	Qatar	Primarily engaged in activities in accordance with Islamic Sharia'a principles on a non-usury basis in all areas of insurance.
Methaq Holding Company (MHC)	100%	Qatar	Primarily engaged in real estate investments.

The interim condensed consolidated financial statements were authorised for issue in accordance with the resolution of the directors on 9 August 2011.

2 CHANGE IN ACCOUNTING FRAMEWORK

During 2010, the Board of Directors of the Company decided to adopt the same accounting framework of Qatar Takaful Company S.O.C. (QTC), a subsidiary, which are the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Since the segregation of the claims incurred relating to policyholders and shareholders was in process and was completed only at year ended 31 December 2010, the insurance transactions of the Company for the six months period ended 30 June 2010 was not segregated between the policyholders and shareholders and are presented in the policyholders statement of income for the six months period ended 30 June 2010.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards (IFRS).

The interim condensed consolidated financial statements are presented in Qatari Riyals, which is the functional and presentation currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. The results for the six months period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010 except for the new and amended conceptual framework financial accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI") and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

New and amended standards and framework

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

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

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

Statement of financial accounting no.1: conceptual framework for the financial reporting by Islamic financial institutions

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form.

The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of FAS 25 had an effect on the classification and measurement of the Group's financial assets. As a result of the application of this new standard, the classification of the investment portfolio were revisited and changes if any, were made in these classification in line with FAS 25.

The adoption of this standard has an impact on the classification of investments and current year income statement.

Al Khaleej Takaful Group Q.S.C.
(Formerly Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2011

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and framework (continued)

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

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

IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

4 AVAILABLE-FOR-SALE INVESTMENTS

The carrying amounts of the Group's investments as at 31 December were as follows:

	<i>30 June 2011 QR (Unaudited)</i>	<i>31 December 2010 QR (Audited)</i>
Policyholders		
Quoted investments		
Local equity shares	558,757	394,114
Unquoted investments		
Foreign equity shares	<u>1,548,947</u>	<u>1,688,888</u>
	<u>2,107,704</u>	<u>2,083,002</u>
Shareholders		
Quoted investments		
Local equity shares	309,898,170	336,883,905
Foreign equity shares	758,466	879,404
Debt securities	3,912,450	3,912,450
Unquoted investments		
Local equity shares	44,287,627	30,085,487
Foreign equity shares	12,163,857	12,282,158
Managed investment portfolio	<u>346,186</u>	<u>610,768</u>
	<u>371,366,756</u>	<u>384,654,172</u>

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5 SEGMENT INFORMATION

For management purposes, the Group is organised into five business segments, Marine and Aviation, Fire, General Accident, Motor and Life Insurance.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net underwriting results.

Other operations of the Group comprise investment and cash management for the Group's own account. There are no transactions between segments.

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5 SEGMENT INFORMATION (continued)

The data with respect to segment information is disclosed as follows. The data for the six months period ended 30 June 2011 and 30 June 2010 relates to both the policyholders' and shareholders' operations.

	<i>Marine & Aviation</i>		<i>Fire</i>		<i>General Accident</i>		<i>Motor</i>		<i>Life</i>		<i>Total</i>	
	<i>June 2011</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2010</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Revenues												
Gross contributions	6,020,276	7,029,748	16,469,058	17,708,392	61,615,388	45,294,570	55,453,980	59,635,583	4,429,024	8,144,994	143,987,726	137,813,287
Retakaful share of gross contributions	(5,252,933)	(6,395,561)	(15,956,502)	(17,177,098)	(54,209,156)	(40,372,188)	(9,048,933)	(4,821,287)	(862,127)	(888,873)	(85,329,651)	(69,655,007)
Retained contributions	767,343	634,187	512,556	531,294	7,406,232	4,922,382	46,405,047	54,814,296	3,566,897	7,256,121	58,658,075	68,158,280
Retakaful commission and other takaful income	1,532,389	1,783,919	2,685,078	2,692,866	6,259,138	5,850,070	4,808,325	1,912,192	-	113,531	15,284,930	12,352,578
Total revenue	2,299,732	2,418,106	3,197,634	3,224,160	13,665,370	10,772,452	51,213,372	56,726,488	3,566,897	7,369,652	73,943,005	80,510,858
Expenses												
Claims paid	524,846	456,780	7,882,420	739,715	15,332,845	17,181,880	47,788,950	50,322,702	2,080,065	1,307,549	73,609,126	70,008,626
Retakaful share of claims paid	(460,795)	(446,037)	(7,553,702)	(679,228)	(14,406,722)	(16,081,849)	(1,862,190)	(813,024)	(1,417,348)	(874,861)	(25,700,757)	(18,894,999)
Net claims	64,051	10,743	328,718	60,487	926,123	1,100,031	45,926,760	49,509,678	662,717	432,688	47,908,369	51,113,627
Commission and other takaful expenses	246,812	222,057	425,723	465,813	1,797,452	1,001,941	4,342,939	1,723,903	542,726	807,641	7,355,652	4,221,355
Total expenses	310,863	232,800	754,441	526,300	2,723,575	2,101,972	50,269,699	51,233,581	1,205,443	1,240,329	55,264,021	55,334,982
Movement in insurance reserves	(61,108)	7,327	55,486	41,733	(1,103,697)	(787,302)	6,587,121	(3,585,763)	(1,249,344)	(4,383,519)	4,228,458	(8,707,524)
Net underwriting results	1,927,761	2,192,633	2,498,679	2,739,593	9,838,098	7,883,178	7,530,794	1,907,144	1,112,110	1,745,804	22,907,442	16,468,352

As the Group's activities are performed on an integrated basis, a segmental analysis of assets and liabilities between these segments would not be meaningful.

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5 SEGMENT INFORMATION (continued)

Revenues, expenses, assets and liabilities of the Company and its subsidiaries for the six months period ended 30 June are as follows:

	30 June 2011							
	<i>Al Khaleej Takaful Insurance & Reinsurance Company</i>		<i>Qatar Takaful Company</i>		<i>Methaq Holding Company</i>	<i>Total</i>		<i>Grand Total</i>
	<i>Policyholders</i>	<i>Shareholders</i>	<i>Policyholders</i>	<i>Shareholders</i>	<i>Shareholders</i>	<i>Policyholders</i>	<i>Shareholders</i>	
Revenues	QR	QR	QR	QR	QR	QR	QR	QR
Gross contributions	114,021,823	-	29,965,903	-	-	143,987,726	-	143,987,726
Retakaful share of gross contributions	(72,374,372)	-	(12,955,279)	-	-	(85,329,651)	-	(85,329,651)
Retained contributions	41,647,451	-	17,010,624	-	-	58,658,075	-	58,658,075
Movement in unearned contributions	3,479,939	-	(1,885,352)	-	-	1,594,587	-	1,594,587
Net retained contributions	45,127,390	-	15,125,272	-	-	60,252,662	-	60,252,662
Retakaful commissions and other takaful income	8,244,946	-	7,039,984	-	-	15,284,930	-	15,284,930
Total takaful revenue	53,372,336	-	22,165,256	-	-	75,537,592	-	75,537,592
Expenses								
Claims paid	51,155,509	9,953,584	12,500,032	-	-	63,655,541	9,953,584	73,609,125
Retakaful share of claims paid	(16,041,483)	(5,089,923)	(4,569,351)	-	-	(20,610,834)	(5,089,923)	(25,700,757)
Net claims paid	35,114,026	4,863,661	7,930,681	-	-	43,044,707	4,863,661	47,908,368
Commission and other takaful expenses	3,466,323	-	3,889,329	-	-	7,355,652	-	7,355,652
Movement in other insurance reserves	(514,888)	(1,058,400)	(1,060,582)	-	-	(1,575,470)	(1,058,400)	(2,633,870)
Total takaful expenses	38,065,461	3,805,261	10,759,428	-	-	48,824,889	3,805,261	52,630,150
Net underwriting results	15,306,875	(3,805,261)	11,405,828	-	-	26,712,703	(3,805,261)	22,907,442

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At 30 June 2011

5 SEGMENT INFORMATION (continued)

	30 June 2010							Grand Total
	Al Khaleej Takaful Insurance & Reinsurance Company		Qatar Takaful Company		Methaq Holding Company	Total		
Revenues	Policyholders QR	Shareholders	Policyholders QR	Shareholders	Shareholders QR	Policyholders	Shareholders QR	
Gross contributions	108,756,613	-	29,056,674	-	-	137,813,287	-	137,813,287
Retakaful share of gross contributions	(59,631,366)	-	(10,023,641)	-	-	(69,655,007)	-	(69,655,007)
Retained contributions	49,125,247	-	19,033,033	-	-	68,158,280	-	68,158,280
Movement in unearned contributions	345,097	-	(3,675,931)	-	-	(3,330,834)	-	(3,330,834)
Net retained contributions	49,470,344	-	15,357,102	-	-	64,827,446	-	64,827,446
Retakaful commissions and other takaful income	8,020,207	-	4,332,371	-	-	12,352,578	-	12,352,578
Total takaful revenue	57,490,551	-	19,689,473	-	-	77,180,024	-	77,180,024
Expenses								
Claims paid	58,318,312	-	11,690,314	-	-	70,008,626	-	70,008,626
Retakaful share of claims paid	(15,568,097)	-	(3,326,902)	-	-	(18,894,999)	-	(18,894,999)
Net claims paid	42,750,215	-	8,363,412	-	-	51,113,627	-	51,113,627
Commission and other takaful expenses	2,335,222	-	1,886,133	-	-	4,221,355	-	4,221,355
Movement in other insurance reserves	5,307,831	-	68,859	-	-	5,376,690	-	5,376,690
Total takaful expenses	50,393,268	-	10,318,404	-	-	60,711,672	-	60,711,672
Net underwriting results	7,097,283	-	9,371,069	-	-	16,468,352	-	16,468,352

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5 SEGMENT INFORMATION (continued)

	30 June 2011				30 June 2010			
	<i>Al Khaleej Takaful Insurance & Reinsurance Company QR</i>	<i>Qatar Takaful Company QR</i>	<i>Methaq Holding Company QR</i>	<i>Total QR</i>	<i>Al Khaleej Takaful Insurance & Reinsurance Company QR</i>	<i>Qatar Takaful Company QR</i>	<i>Methaq Holding Company QR</i>	<i>Total QR</i>
Assets								
Total assets	732,024,299	118,612,105	21,946,846	872,583,250	683,917,382	100,493,220	21,150,836	805,561,438
Liabilities								
Insurance funds	(168,121,801)	(48,940,256)	-	(217,062,057)	(182,346,660)	(46,743,196)	-	(229,089,856)
Net deficit (surplus) attributable to Takaful policyholders	18,287,356	(16,154,492)	-	2,132,864	12,478,907	(12,426,036)	-	52,871
Liabilities (other than insurance funds)	(88,505,157)	(16,661,638)	-	(105,166,795)	(73,989,384)	(10,814,667)	-	(84,804,051)
Net assets	493,684,697	36,855,719	21,946,846	552,487,262	440,060,245	30,509,321	21,150,836	491,720,402

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6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>30 June 2011</i>	<i>30 June 2010</i>
	<i>(Unaudited)</i>	
Profit for the period attributable to the shareholders (QR)	<u><u>57,019,236</u></u>	<u><u>64,276,423</u></u>
Weighted average number of shares outstanding during the period (i)	<u><u>14,229,600</u></u>	<u><u>14,229,600</u></u>
Basic/Diluted earnings per share (QR)	<u><u>4.01</u></u>	<u><u>4.51</u></u>

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

7 COMMITMENTS AND CONTINGENCIES

Guarantees

At 30 June 2011, the Group had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR 1,913,685 (31 December 2010 – Audited: QR 825,907).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position.