Grant Thornton

ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Index to interim condensed financial information (un-audited)
for the period ended September 30, 2012

Grant Thornton

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REVIEW REPORT O THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ALLIANCE INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) as at September 30, 2012 and the related interim condensed statement of comprehensive income, interim condensed statement of changes in equity, and interim condensed statement of cash flows for the nine months period then ended. Management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standard No. 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed 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 as 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 information is not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton

Grant Thornton

Farouk Mohamed
Registration No. 54
Dubai
United Arab Emirates
Date: October 31, 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of financial position
as at September 30, 2012 (Un-audited)

	Notes	(Un-audited) September 30, 2012 AED	(Audited) December 31, 2011 AED
Assets			
Non-current			
Investment property	4	181,244,600	181,244,600
Financial assets - deposits		112,449,833	109,131,389
Statutory deposit		10,000,000	10,000,000
Policyholders' loans		47,454,418	47,460,908
Property and equipment		3,010,171	2,842,251
Non-current assets		354,159,022	350,679,148
Current			
Financial assets - deposits		559,278,213	538,288,738
Financial assets - equities and funds	5	22,883,166	17,032,761
Insurance and other receivables		49,697,113	39,377,587
Reinsurance contract assets		10,111,180	14,697,496
Cash and cash equivalents		19,185,884	12,090,249
Current assets		661,155,556	621,486,831
Total assets		1,015,314,578	972,165,979
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Legal reserve		51,119,217	48,240,824
Regular reserve		41,530,017	38,651,624
General reserve		140,000,000	120,000,000
Fair value reserve		(19,664,176)	(25,514,581)
Retained earnings		29,515,744	41,488,604
Total equity		342,500,801	322,866,471
Liabilities			
Non-current			
Employees' end-of-service benefits		4,771,839	4,990,921
Policyholders' funds		558,247,388	540,527,641
Non-current liabilities		563,019,227	545,518,562
Current			
Insurance contract liabilities		31,673,399	35,590,738
Insurance and other payables		32,931,436	38,147,572
Due to other insurers and reinsurers		45,189,715	30,042,636
Current liabilities		109,794,550	103,780,946
Total liabilities		672,813,777	649,299,508
Total equity and liabilities		1,015,314,578	972,165,979

Sheikh Ahmed Bin Saeed Al Maktoum	**Juma Saif Rashid Bin Bakhit**	**Aimen Saba Azara**
Chairman	**Vice Chairman**	**Director & General Manager**

The notes from 1 to 10 form an integral part of these financial statements.

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of comprehensive income
for the period ended September 30, 2012 (Un-audited)

	(Un-audited) Nine months ended September 30, 2012 AED	(Un-audited) Nine months ended September 30, 2011 AED	(Un-audited) Three months ended September 30, 2012 AED	(Un-audited) Three months ended September 30, 2011 AED
Net underwriting income - General	7,152,993	9,255,473	(62,436)	1,354,024
Interest income on deposits - General	6,107,585	6,752,550	2,110,654	2,260,106
Income from investment property (net)	3,180,125	2,937,230	1,013,969	773,795
Profit from investment activities	534,938	672,654	308	308
Other income	1,497,867	1,935,053	807,982	183,790
Profit from general insurance business	18,473,509	21,552,960	3,870,478	4,572,023
Surplus transferred from long-term business (Life) account	10,310,416	8,447,078	2,182,954	(1,157,591)
Net income for the period	28,783,925	30,000,038	6,053,432	3,414,432
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share based on net income - basic and diluted	28.78	30.00	6.05	3.41
Other comprehensive income				
Unrealised loss on financial assets at fair value through other comprehensive	5,850,405	(3,688,765)	2,981,844	(3,790,172)
Total comprehensive income	34,634,330	26,311,273	9,035,276	(375,740)
Earning per share based on total comprehensive income - basic and dilubted	34.63	26.31	9.04	(0.38)

The notes from 1 to 10 form an integral part of these financial statements.

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of changes in equity
for the period ended September 30, 2012 (Un-audited)

	Notes	Share capital AED	Legal reserve AED	Regular reserve AED	General reserve AED	Fair value reserve on financial assets at fair value through other comprehensive income AED	Retained earnings AED	Total AED
As at December 31, 2010 (Audited)		100,000,000	44,079,719	34,490,519	100,000,000	(21,270,114)	43,765,536	301,065,660
Transfer to legal reserve		-	3,000,004	-	-	-	(3,000,004)	-
Transfer to regular reserve		-	-	3,000,004	-	-	(3,000,004)	-
Transfer to general reserve		-	-	-	20,000,000	-	(20,000,000)	-
Dividends paid		-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners		-	3,000,004	3,000,004	20,000,000	-	(41,000,008)	(15,000,000)
Net income for the period		-	-	-	-	-	30,000,038	30,000,038
Other comprehensive income:								
Net unrealized loss on investments		-	-	-	-	(3,688,765)	-	(3,688,765)
Total comprehensive income for the period		-	-	-	-	(3,688,765)	30,000,038	26,311,273
As at September 30, 2011 (Un-audited)		100,000,000	47,079,723	37,490,523	120,000,000	(24,958,879)	32,765,566	312,376,933
Transfer to legal reserve		-	1,161,101	-	-	-	(1,161,101)	-
Transfer to regular reserve		-	-	1,161,101	-	-	(1,161,101)	-
Director's remuneration		-	-	-	-	-	(565,776)	(565,776)
Transactions with owners		-	1,161,101	1,161,101	-	-	(2,887,978)	(565,776)
Net income for the period		-	-	-	-	-	11,611,016	11,611,016
Other comprehensive income:								
Net unrealized loss on investments		-	-	-	-	(555,702)	-	(555,702)
Total comprehensive income for the period		-	-	-	-	(555,702)	11,611,016	11,055,314
As at December 31, 2011 (Audited)		100,000,000	48,240,824	38,651,624	120,000,000	(25,514,581)	41,488,604	322,866,471
Transfer to legal reserve		-	2,878,393	-	-	-	(2,878,393)	-
Transfer to regular reserve		-	-	2,878,393	-	-	(2,878,393)	-
Transfer to general reserve		-	-	-	20,000,000	-	(20,000,000)	-
Dividends paid		-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners		-	2,878,393	2,878,393	20,000,000	-	(40,756,785)	(15,000,000)
Net income for the period							28,783,925	28,783,925
Other comprehensive income:								
Net unrealized loss on investments						5,850,405	-	5,850,405
Total comprehensive income for the period		-	-	-	-	5,850,405	28,783,925	34,634,330
As at September 30, 2012 (Un-audited)		100,000,000	51,119,217	41,530,017	140,000,000	(19,664,176)	29,515,744	342,500,801

The notes from 1 to 10 form an integral part of these financial statements.

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of cash flows
for the period ended September 30, 2012 (Un-audited)

	(Un-audited) Nine months ended September 30, 2012 AED	(Un-audited) Nine months ended September 30, 2011 AED
Operating activities		
Net income for the year	28,783,925	30,000,038
Adjustments for:		
Increase in Life fund (long term business)	17,719,747	29,724,586
(Decrease)/increase in provision for insurance contract liabilities	(3,917,339)	(1,957,955)
Depreciation on property and equipment	129,016	194,096
Gain on disposal of property and equipment	(59,326)	-
Provision for employees' end of service benefits	580,942	301,016
	43,236,965	58,261,781
Changes in working capital		
Increase in insurance and other receivables	(10,319,526)	(10,120,538)
Decrease / (Increase) in reinsurance contract assets	4,586,316	(988,500)
Decrease in insurance and other payables	(5,216,136)	(6,472,053)
Increase in due to other insurers and reinsurers	15,147,079	5,749,082
	47,434,699	46,429,772
Employees' end of service benefits paid	(800,025)	(16,709)
Cash from operating activities	46,634,674	46,413,063
Investing activities		
Increase in financial assets at amortized cost	(24,307,920)	(27,934,069)
Net increase in loans to policyholders	6,490	(3,721,358)
Purchase of property and equipment	(352,116)	(31,065)
Proceeds from disposal of property and equipment	114,506	-
Cash used in investing activities	(24,539,040)	(31,686,492)
Financing activities		
Dividends paid	(15,000,000)	(15,000,000)
Cash used in financing activities	(15,000,000)	(15,000,000)
Net increase in cash and cash equivalents	7,095,635	(273,429)
Cash and cash equivalents as at January 1,	12,090,249	11,387,604
Cash and cash equivalents as at Sep 30,	19,185,884	11,114,175

The notes from 1 to 10 form an integral part of these financial statements.

1. Legal status and activities

Alliance Insurance (PSC) ("the Company") is a Public Shareholding Company ("PSC") which was originally established in Dubai on July 1, 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on January 6, 1982 as a limited liability company under an Emiri Decree. The Company became a PSC in January 1995, in accordance with the United Arab Emirates (UAE) Federal Commercial Companies Law No. (8) of 1984 (as amended).

The Company underwrites all classes of general, life and health insurance business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to insurance companies and insurance agents.

The registered address of the Company is Warba Centre, P.O. Box 5501, Dubai, UAE.

2. Significant accounting policies

The interim condensed financial information of the Company is prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2011.

3. Adoption of new and revised standards

Certain revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2012:

Relevant to the Company's financial statements

IFRS 7	Financial Instruments: Disclosures - Enhanced derecognition disclosures requirements

4. Investment property

All investment property of the Company is located within United Arab Emirates.

In the opinion of management, there has been no change in the fair value of investment property since December 31, 2011.

5. Financial assets

	(Un-audited) September 30, 2012 AED	(Audited) December 31, 2011 AED
Financial assets - deposits		
Short-term deposits – local	547,180,315	527,271,865
Accrued interest	12,097,898	11,016,873
	559,278,213	538,288,738
Long-term deposits – local	109,000,000	109,000,000
Accrued interest	3,449,833	131,389
	112,449,833	109,131,389
	671,728,046	647,420,127
Financial assets – equities and funds		
Quoted equity		
Equities and funds – local	8,479,927	8,479,927
Fair value adjustment	2,120,446	640,590
	10,600,373	9,120,517
Equities and funds – foreign	14,927,648	14,927,648
Fair value adjustment	(2,644,855)	(7,015,404)
	12,282,793	7,912,244
	22,883,166	17,032,761

Short term deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.5% to 4.5% p.a. (December 31, 2011: from 1.5% to 6.0% p.a.). The maturity of these deposits falls within one year.

Long term deposits comprise of fixed deposits with various banks bearing annual interest rate of 4.0% p.a. (December 31, 2011: 4.0% p.a.).

The net movement in fair value in the current period was an increase in value of AED 5,850,405 (December 31, 2011: decrease of AED 4,244,467) which has been carried to the fair value reserve in equity.

6. Policyholders' funds

Policyholders' funds represent amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term (life) business as September 30, 2012.

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated October 12, 2012, they assessed a surplus of AED 10,310,416 in the life insurance fund as at September 30, 2012 (December 31, 2011: AED 16,080,672).

7. Segment analysis

In identifying its operating segments, management generally follows the Company's lines of business. Each of these operating segments is managed separately as each of these business lines requires different resources as well as marketing approaches.

Under IFRS 8, reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker, and is reconciled to the Company profit or loss on the following page. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

The Company operates two main business segments: General Insurance and Life Insurance. The main source of revenue for these operating segments is underwriting all classes of general insurance and life insurance policies.

7 Segment analysis (continued)

	(Un-audited) Nine months ended September 30, 2012 AED			(Un-audited) Nine months ended September 30, 2011 AED			(Audited) Twelve months ended December 31, 2011 AED		
	Life Business	General Business	Total	Life Business	General Business	Total	Life Business	General Business	Total
Net underwriting income	4,400,124	7,152,993	11,553,117	8,109,721	9,255,473	17,365,194	8,860,305	10,374,724	19,235,029
Interest income on deposits	14,515,710	6,107,585	20,623,295	18,545,660	6,752,550	25,298,210	24,173,827	8,930,983	33,104,810
Income from investment property (net)	6,031,338	3,180,125	9,211,463	5,766,101	2,937,230	8,703,331	6,842,884	3,358,658	10,201,542
Profit from investment activities	2,318,805	534,938	2,853,743	2,192,915	672,654	2,865,569	2,904,521	672,962	3,577,483
Other income	764,185	1,497,867	2,262,052	3,557,267	1,935,053	5,492,320	3,851,018	2,193,055	6,044,073
	28,030,162	18,473,509	46,503,671	38,171,664	21,552,960	59,724,624	46,632,555	25,530,382	72,162,937
Surplus transferred to policyholders' fund	(17,719,746)	-	(17,719,746)	(29,724,586)	-	(29,724,586)	(30,551,883)	-	(30,551,883)
Net surplus (Life) / net income (General)	10,310,416	18,473,509	28,783,925	8,447,078	21,552,960	30,000,038	16,080,672	25,530,382	41,611,054
Segment assets	665,564,723	349,749,854	1,015,314,577	641,545,742	329,018,541	970,564,283	603,675,925	368,490,054	972,165,979
Segment liabilities	611,934,899	60,878,877	672,813,776	592,668,753	65,518,597	658,187,350	587,595,254	61,704,254	649,299,508

8. Use of estimates

Estimates are made by management for assessing provision for outstanding claims, provision for doubtful debts, incurred but not reported (IBNR) claims, useful lives of property and equipment and other such items. While measurement in both annual and interim financial reports is based on reasonable estimates, the preparation of interim financial information requires a greater use of estimation methods than annual financial statements.

As per management's estimates, there are no circumstances that affect fair values of financial instruments and their classifications.

9. Contingent liabilities and commitments

Commitments

The Company's bankers have issued in the normal course of business letters of guarantee in favour of third parties amounting to AED 704,548 as at September 30, 2012 (December 31, 2011: AED 11,306,181).

Legal cases

As at the period end, there were certain legal cases pending in different court of laws against the Company claiming AED 470,000 (December 31, 2011: AED 1,544,980) in total. The legal counsel is confident that these legal cases will be judged in favour of the Company.

10. Proposed dividend

The Board proposed cash dividend of 15% of paid up capital, AED 15 million (AED 15 per share) for the year ended December 31, 2011. This was approved at the Annual General Meeting held on April 4, 2012.