Grant Thornton

Alliance Insurance (PSC)
Dubai - United Arab Emirates

Interim Condensed Financial Statements (Un-Audited)
For the Period Ended June 30, 2013

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Interim condensed financial statements (un-audited)
for the period ended June 30, 2013

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Grant Thornton

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Review Report
To the shareholders of Alliance Insurance (PSC)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) (the "Company") as at June 30, 2013 and the related interim condensed statement of comprehensive income, the interim condensed statement of changes in equity, and the interim condensed statement of cash flows for the six months period then ended. Management is responsible for the preparation and fair presentation of these interim condensed financial statements 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 statements 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 statements 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 statements is not prepared, in all material respects, in accordance with IAS 34.

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Grant Thornton

Farouk Mohamed
Registration No. 54
Dubai
United Arab Emirates
Date: July 30, 2013

Interim condensed statement of financial position
as at June 30, 2013 (Un-audited)

	Notes	(Un-audited) June 30, 2013 AED	(Audited) December 31, 2012 AED
Assets			
Non-current			
Investment property	4	180,619,600	180,619,600
Statutory deposit		10,000,000	10,000,000
Long-term deposits		30,005,000	-
Policyholders' loans		46,537,455	45,446,443
Property and equipment		3,318,593	3,153,033
Non-current assets		270,480,648	239,219,076
Current			
Financial assets - deposits	5	686,500,955	688,126,353
Financial assets - equities and funds	5	27,122,805	24,534,655
Insurance and other receivables		77,112,412	39,357,283
Reinsurance contract assets		61,076,100	58,432,048
Cash and cash equivalents		19,240,908	16,878,392
Current assets		871,053,180	827,328,731
Total assets		1,141,533,828	1,066,547,807
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Legal reserve		54,913,414	52,316,417
Regular reserve		45,324,214	42,727,217
General reserve		160,000,000	140,000,000
Fair value reserve		(11,368,174)	(18,012,687)
Retained earnings		24,078,976	38,541,252
Total equity		372,948,430	355,572,199
Liabilities			
Non-current			
Employees' end-of-service benefits		5,056,299	4,773,097
Policyholders' funds	6	573,592,256	554,549,964
Non-current liabilities		578,648,555	559,323,061
Current			
Insurance contract liabilities		78,151,501	77,594,349
Insurance and other payables		36,931,126	34,691,892
Due to other insurers and reinsurers		74,854,216	39,366,306
Current liabilities		189,936,843	151,652,547
Total liabilities		768,585,398	710,975,608
Total equity and liabilities		1,141,533,828	1,066,547,807

These financial statements were approved by the Board on July 30, 2013 and signed on their behalf by:

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)
Interim condensed financial statements (un-audited)

Interim condensed statement of comprehensive income
for the period ended June 30, 2013 (Un-audited)

	(Un-audited) Six months ended June 30, 2013 AED	(Un-audited) Six months ended June 30, 2012 AED	(Un-audited) Three months ended June 30, 2013 AED	(Un-audited) Three months ended June 30, 2012 AED
Net underwriting income - General	7,098,550	7,215,429	3,131,980	3,288,122
Interest income on deposits - General	4,701,543	3,996,931	2,416,962	1,997,182
Income from investment property (net)	2,423,659	2,166,156	1,155,030	1,026,804
Profit from investment activities	827,106	534,630	233,349	168,567
Other income	808,392	689,885	379,982	385,680
Profit from general insurance business	15,859,250	14,603,031	7,317,303	6,866,355
Surplus transferred from long-term business (Life) account	10,110,717	8,127,462	5,087,568	2,568,315
Net income for the period	25,969,967	22,730,493	12,404,871	9,434,670
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	25.97	22.73	12.40	9.43
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Unrealised gain on financial assets at fair value through other comprehensive income - net	6,222,938	2,868,561	5,194,521	(1,522,568)
Realised gain on financial assets at fair value through other comprehensive income - net	183,326	-	-	-
Total comprehensive income for the period	32,376,231	25,599,054	17,599,392	7,912,102
Earning per share based on total comprehensive income - basic and diluted	32.38	25.60	17.60	7.91

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

ALLIANCE INSURANCE (PSC)
Interim condensed financial statements (un-audited)
Interim condensed statement of changes in equity
for the period ended June 30, 2013 (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, 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		-	2,273,049	-	-	-	(2,273,049)	-
Transfer to regular reserve		-	-	2,273,049	-	-	(2,273,049)	-
Transfer to general reserve		-	-	-	20,000,000	-	(20,000,000)	-
Dividend paid		-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners		-	2,273,049	2,273,049	20,000,000	-	(39,546,098)	(15,000,000)
Net income for the period		-	-	-	-	-	22,730,493	22,730,493
Other comprehensive income:								
Net unrealized gain on investments		-	-	-	-	2,868,561	-	2,868,561
Total comprehensive income for the period		-	-	-	-	2,868,561	22,730,493	25,599,054
As at June 30, 2012 (Un-audited)		100,000,000	50,513,873	40,924,673	140,000,000	(22,646,020)	24,672,999	333,465,525
Directors' remuneration		-	-	-	-	-	(552,096)	(552,096)
Transfer to legal reserve		-	1,802,544	-	-	-	(1,802,544)	-
Transfer to regular reserve		-	-	1,802,544	-	-	(1,802,544)	-
Transactions with owners		-	1,802,544	1,802,544	-	-	(4,157,184)	(552,096)
Net income for the period		-	-	-	-	-	18,025,437	18,025,437
Other comprehensive income:								
Net unrealized gain on investments		-	-	-	-	4,633,333	-	4,633,333
Total comprehensive income for the period		-	-	-	-	4,633,333	18,025,437	22,658,770
As at December 31, 2012 (Audited)		100,000,000	52,316,417	42,727,217	140,000,000	(18,012,687)	38,541,252	355,572,199
Dividend paid		-	-	-	-	-	(15,000,000)	(15,000,000)
Transfer to legal reserve		-	2,596,997	-	-	-	(2,596,997)	-
Transfer to regular reserve		-	-	2,596,997	-	-	(2,596,997)	-
Transfer to general reserve		-	-	-	20,000,000	-	(20,000,000)	-
Transfer to retained earnings on disposal of investments		-	-	-	-	238,249	(238,249)	-
Transactions with owners		-	2,596,997	2,596,997	20,000,000	238,249	(40,432,243)	(15,000,000)
Net income for the period		-	-	-	-	-	25,969,967	25,969,967
Other comprehensive income:								
Net unrealized gain on investments		-	-	-	-	6,222,938	-	6,222,938
Net realized gain on investments		-	-	-	-	183,326	-	183,326
Total comprehensive income for the period		-	-	-	-	6,406,264	25,969,967	32,376,231
As at June 30, 2013 (Un-audited)		100,000,000	54,913,414	45,324,214	160,000,000	(11,368,174)	24,078,976	372,948,430

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

ALLIANCE INSURANCE (PSC)
Interim condensed financial information (un-audited)

Interim condensed statement of cash flows
for the period ended June 30, 2013 (Un-audited)

	(Un-audited) Six months ended June 30, 2013 AED	(Un-audited) Six months ended June 30, 2012 AED
Operating activities		
Net income for the year	25,969,967	22,730,493
Adjustments for:		
Increase in Life fund (long term business)	19,042,292	10,756,853
Increase in accrued interest on financial assets - deposits	(4,959,685)	-
Increase / (decrease) in provision for insurance contract liabilities	557,152	(3,440,640)
Provision for employees' end of service benefits	482,249	487,891
Gain on disposal of property and equipment	-	(4,327)
Depreciation on property and equipment	104,939	115,273
	41,196,914	30,645,543
Changes in working capital		
Increase in insurance and other receivables	(37,755,129)	(20,963,484)
(Increase) / decrease in reinsurance contract assets	(2,644,052)	4,065,443
Increase in insurance and other payables	2,239,234	(2,071,725)
Increase in due to other insurers and reinsurers	35,487,910	19,667,254
	38,524,877	31,343,031
Employees' end of service benefits paid	(199,047)	(727,679)
Cash flows from operating activities	38,325,830	30,615,352
Investing activities		
Increase in financial assets at amortized cost	(23,419,917)	(6,739,121)
Net increase in loans to policyholders	(1,091,012)	(654,438)
Proceeds from disposal of financial assets - equities	3,818,114	54,805
Purchase of property and equipment	(270,499)	(263,815)
Cash used in investing activities	(20,963,314)	(7,602,569)
Financing activity		
Dividends paid	(15,000,000)	(15,000,000)
Cash used in financing activity	(15,000,000)	(15,000,000)
Net increase in cash and cash equivalents	2,362,516	8,012,783
Cash and cash equivalents as at January 1,	16,878,392	12,090,249
Cash and cash equivalents as at June 30,	19,240,908	20,103,032

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

Notes to the interim condensed financial statements (un-audited)
for the period ended June 30, 2013

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. General information and basis of preparation

The interim condensed financial statements are for the six months ended June 30, 2013 and are presented in Emirati Dirham (AED), which is the functional currency of the Company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34) and do not include all of the information required in annual financial statements in accordance with IFRSs.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2012, except for the application of the following standards as of January 1, 2013:

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

Further, certain amendments to existing IFRS have been adopted by the Company:

- IAS 1 Presentation of Financial Statements- Amendment
- IAS 32 Financial Instruments: Presentation- Amendment
- IFRS 7 Financial Instruments: Disclosures – Amendment

Annual Improvements 2009-2011

The Annual Improvements made minor amendments to a number of IFRSs. The only amendment that affects these financial statements clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed in interim financial statements if this information is regularly provided to the chief operating decision maker and there has been a material change since the most recent annual financial statements. As a result of this amendment the segment information in Note 7 now includes total liabilities as well as total assets.

3. Significant accounting policies (continued)

3.1. Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 3.2.

Insurance liabilities

The estimation of the ultimate liability arising from claims made, claims incurred but not reported and unearned premium under insurance contracts are the Company's most critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such estimates. The Company estimates for reported and unreported losses and establishing resulting provisions and related reinsurance recoverability is continually reviewed and updated, and adjustments resulting from this review are reflected in statement of comprehensive income. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Classification of investment property

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property at fair value.

3.2. Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

3. Significant accounting policies (continued)

3.2. Estimation uncertainty (continued)

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Provisions

On an on-going basis, provisions are made for all known and reported claims, including handling costs, for all classes of business which have not been paid as at the reporting date and are stated gross with the reinsurance portion being shown separately under current assets. An additional provision is also made for any claims incurred but not reported (IBNR) at the reporting date on the basis of management estimates. The method used by the Company to calculate claims incurred but not reported takes into account historical data, past estimates and details of reinsurance programmes to assess the expected size of reinsurance recoveries.

The Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognised in the financial statements.

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, 2012.

5. Financial assets

	(Un-audited) June 30, 2013 AED	(Audited) December 31, 2012 AED
Financial assets – deposits		
Short-term deposits – local	666,155,733	672,740,816
Long-term deposits – local	30,005,000	-
Accrued interest	20,345,222	15,385,537
	716,505,955	688,126,353
Financial assets – equities and funds		
Quoted equity		
Equities and funds – local	8,479,927	8,479,927
Fair value adjustment	8,367,548	2,520,652
	16,847,475	11,000,579
Equities and funds – foreign	12,639,634	14,927,648
Fair value adjustment	(2,364,304)	(1,393,572)
	10,275,330	13,534,076
	27,122,805	24,534,655

5. Financial assets (continued)

Short term deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.5% to 4.25% p.a. (December 31, 2012: from 1.5% to 4.5% p.a.). The maturity of these deposits falls within one year.

Long term deposits comprise of fixed deposits with Emirates Investment bank bearing interest rate 5.25% p.a. (December 31, 2012: Nil p.a.). The maturity of these deposits falls in 2018.

The net movement in fair value in the current period was an increase in value of AED 6,222,938 (December 31, 2012: increase of AED 7,501,894) 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 at June 30, 2013.

The Company changed its consulting actuaries during the period from M/s Nauman Associates to M/s. Sidat Hyder Morshed Associates Limited. In their report dated July 18, 2013, M/s Sidat Hyder assessed a surplus of AED 5,687,751 in the Individual Life business as at June 30, 2013. The Company also assessed an additional surplus of AED 4,422,966 on account of Group and Medical division in Life Insurance Fund Total surplus in Life Insurance Fund was AED 10,110,717 (December 31, 2012: AED 17,501,442).

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) Six months ended June 30, 2013 AED			(Un-audited) Six months ended June 30, 2012 AED			(Audited) Twelve months ended December 31, 2012 AED
	Life Business	General Business	Total	Life Business	General Business	Total	Life Business	General Business	Total
Net underwriting income	12,393,302	7,098,550	19,491,852	3,382,686	7,215,429	10,598,115	(467,854)	7,726,039	7,258,185
Interest income on deposits	10,504,197	4,701,543	15,205,740	9,627,738	3,996,931	13,624,669	19,613,685	8,333,873	27,947,558
Income from investment property (net)	4,246,013	2,423,659	6,669,672	4,050,922	2,166,156	6,217,078	7,509,960	4,291,113	11,801,073
Profit from investment activities	1,648,208	827,106	2,475,314	1,554,247	534,630	2,088,877	3,019,665	536,171	3,555,836
Other income	361,289	808,392	1,169,681	268,722	689,885	958,607	1,848,309	2,367,292	4,215,601
	29,153,009	15,859,250	45,012,259	18,884,315	14,603,031	33,487,346	31,523,765	23,254,488	54,778,253
Surplus transferred to policyholders' fund	(19,042,292)	-	(19,042,292)	(10,756,853)	-	(10,756,853)	(14,022,323)	-	(14,022,323)
Net surplus (Life) / net income (General)	10,110,717	15,859,250	25,969,967	8,127,462	14,603,031	22,730,493	17,501,442	23,254,488	40,755,930
Segment assets	687,862,062	453,671,766	1,141,533,828	654,747,609	352,689,378	1,007,436,987	620,537,570	446,010,237	1,066,547,807
Segment liabilities	632,098,189	136,487,209	768,585,398	603,625,047	70,346,414	673,971,461	603,036,128	107,939,480	710,975,608

8. Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2013	Note	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Listed securities	(a)	27,122,805	-	-	27,122,805
December 31, 2012					
Listed securities	(a)	24,534,655	-	-	24,534,655

a) Listed securities

All the listed equity securities are stated in AED and are publicly traded in AED, US Dollar and Euro. Fair values have been determined by reference to their quoted bid prices at the reporting date.

9. Contingent liabilities and commitments

Legal cases

As at the period end, there were certain legal cases pending in different court of laws against the Company claiming AED 570,000 (December 31, 2012: AED 723,542) in total. The legal counsel is confident that these legal cases will be judged in favour of the Company.

Commitments

The Company's bankers have issued in the normal course of business Letters of Guarantee in favour of third parties amounting to AED 11,390,079 as of period end (December 31, 2012: AED 11,419,212).

10. 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, 2012 which was approved at the Annual General Meeting held on March 26, 2013 and paid on April 7, 2013.