ALLIANCE INSURANCE P.S.C.

Review report and interim financial information for the period ended 30 September 2014

ALLIANCE INSURANCE P.S.C.

Contents **Pages**

Deloitte.

Deloitte & Touche (M.E.)
UAB Tower - Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah, United Arab Emirates

Tel : +971 (0) 6 517 9500
Fax: +971 (0) 6 517 9501
www.deloitte.com

Ref: 99A67FS14-Sept

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Alliance Insurance P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Alliance Insurance P.S.C. (the "Company"), Dubai, United Arab Emirates,** as at 30 September 2014 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this interim financial information 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 financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: *"Interim Financial Reporting"*.

Other Matter

The financial statements of the Company for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 19 February 2014. The interim financial information of the Company for the nine months period ended 30 September 2013 were reviewed by another auditor who expressed an unmodified conclusion on 4 November 2013.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
30 October 2014

Condensed statement of financial position
At 30 September 2014

	Notes	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
ASSETS			
Non-current assets			
Property and equipment	5	3,508,058	3,234,011
Investment properties	6	179,669,600	179,669,600
Investments designated at fair value through other comprehensive income (FVTOCI)	7	11,554,511	32,255,892
Financial investments at amortized cost	7	97,343,431	36,070,067
Policyholders' loans		47,045,275	47,334,317
Financial assets – deposits at amortized cost	7	33,692,188	34,051,007
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		382,813,063	342,614,894
Current assets			
Re-insurance contract assets	9	81,787,890	51,201,963
Insurance and other receivables		84,884,303	64,877,142
Financial assets – deposits at amortized cost	7	667,114,251	681,074,365
Cash and cash equivalents	10	16,856,046	26,671,117
Total current assets		850,642,490	823,824,587
Total assets		1,233,455,553	1,166,439,481
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	100,000,000	100,000,000
Statutory reserve	12	56,742,450	56,742,450
Regular reserve	13	47,153,250	47,153,250
General reserve	14	165,000,000	160,000,000
Cumulative change in fair value of securities		748,595	(6,235,086)
Retained earnings		40,789,806	35,359,714
Total equity		410,434,101	393,020,328
Non-current liabilities			
Provision for employees' end of service indemnity		4,342,477	4,826,891
Policyholders' funds		595,790,204	577,807,552
Total non-current liabilities		600,132,681	582,634,443
Current liabilities			
Insurance contract liabilities	9	110,239,549	76,534,754
Insurance and other payables		112,649,222	114,249,956
Total current liabilities		222,888,771	190,784,710
Total liabilities		823,021,452	773,419,153
Total equity and liabilities		1,233,455,553	1,166,439,481

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

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of income (unaudited)
for the period ended 30 September 2014

	Notes	Three months period ended 30 September 2014 AED	Three months period ended 30 September 2013 AED (restated)	Nine months period ended 30 September 2014 AED	Nine months period ended 30 September 2013 AED (restated)
Net underwriting profit/(loss) – General		**1,136,192**	(152,763)	**8,759,342**	8,129,273
Interest income on deposits – General		**2,389,980**	2,488,874	**7,194,529**	7,451,078
Income from investment property (net)		**1,121,033**	1,016,436	**3,755,895**	3,440,095
Profit from investment activities		**629,662**	617	**1,746,440**	827,723
Other income		**643,331**	395,534	**2,413,497**	1,203,926
Profit from general insurance business	**18**	**5,920,198**	3,748,698	**23,869,703**	21,052,095
Surplus transferred from long- term business (life) account		**3,540,392**	2,356,590	**8,618,659**	8,044,341
Profit for the period		**9,460,590**	6,105,288	**32,488,362**	29,096,436
Basic earnings per share	**15**	**9.46**	6.11	**32.49**	29.10

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of comprehensive income (unaudited)
for the period ended 30 September 2014

	Three months period ended 30 September		Nine months period ended 30 September	
	2014	2013	**2014**	2013
	AED	AED (restated)	**AED**	AED (restated)
Profit for the period	**9,460,590**	6,105,288	**32,488,362**	29,096,436
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net fair value gain on investments designated at FVTOCI	**1,181,394**	1,225,522	**4,049,769**	7,631,786
Gain on sale of investments designated at FVTOCI	**1,442,847**	-	**5,875,642**	-
Total other comprehensive income for the period	**2,624,241**	1,225,522	**9,925,411**	7,631,786
Total comprehensive income for the period	**12,084,831**	7,330,810	**42,413,773**	36,728,222

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of changes in equity
for the period ended 30 September 2014

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2012 (audited)	100,000,000	52,316,417	42,727,217	140,000,000	(18,012,687)	35,797,863	352,828,810
Profit for the period (restated)	-	-	-	-	-	29,096,436	29,096,436
Other comprehensive income for the period	-	-	-	-	7,631,786	-	7,631,786
Total comprehensive income for the period (restated)	-	-	-	-	7,631,786	29,096,436	36,728,222
Dividends (Note 16)	-	-	-	-	-	(15,000,000)	(15,000,000)
Reclassification of reserve on disposal of investments designated at FVTOCI	-	-	-	-	238,249	(238,249)	-
Transfer to statutory reserve (restated)	-	2,909,644	-	-	-	(2,909,644)	-
Transfer to regular reserve (restated)	-	-	2,909,644	-	-	(2,909,644)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Balance at 30 September 2013 (unaudited-restated)	100,000,000	55,226,061	45,636,861	160,000,000	(10,142,652)	23,836,762	374,557,032

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of changes in equity
for the period ended 30 September 2014 (continued)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2013 (audited)	100,000,000	56,742,450	47,153,250	160,000,000	(6,235,086)	35,359,714	393,020,328
Profit for the period	-	-	-	-	-	32,488,362	32,488,362
Other comprehensive income for the period	-	-	-	-	4,049,769	5,875,642	9,925,411
Total comprehensive income for the period	-	-	-	-	4,049,769	38,364,004	42,413,773
Dividends (Note 16)	-	-	-	-	-	(25,000,000)	(25,000,000)
Reclassification of reserve on disposal of investments designated at FVTOCI	-	-	-	-	2,933,912	(2,933,912)	-
Transfer to general reserve	-	-	-	5,000,000	-	(5,000,000)	-
Balance at 30 September 2014 (unaudited)	**100,000,000**	**56,742,450**	**47,153,250**	**165,000,000**	**748,595**	**40,789,806**	**410,434,101**

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of cash flows (unaudited)
for the period ended 30 September 2014

	Nine months period ended 30 September	
	2014	2013
	AED	AED
		(restated)
Cash flows from operating activities		
Profit for the period	**32,488,362**	29,096,436
Adjustments for:		
Depreciation of property and equipment	**215,289**	172,908
Profit on disposal of property and equipment	**(8,000)**	-
Increase in policyholders' fund	**17,982,652**	27,588,400
Income from deposits	**(21,706,946)**	(23,025,770)
Income from debt securities	**(2,740,272)**	-
Dividends income on securities	**(1,113,096)**	(1,165,254)
Interest on policyholders' loans	**(2,417,415)**	(2,258,202)
Income from investment properties	**(10,152,535)**	(9,633,084)
Amortization on financial investments	**61,342**	-
Provision for employees' end of service indemnity	**260,181**	573,722
Operating cash flows before changes in operating assets and liabilities	**12,869,562**	21,349,156
Increase in insurance and other receivables	**(18,360,542)**	(34,988,928)
Increase in reinsurance contract assets	**(30,585,927)**	(12,344,344)
Increase in insurance contract liabilities	**33,704,795**	13,671,881
(Decrease)/increase in insurance and other payables	**(1,600,734)**	38,086,182
Cash (used in)/generated from operations	**(3,972,846)**	25,773,947
Employees' end of service indemnity paid	**(744,595)**	(223,044)
Net cash (used in)/generated from operating activities	**(4,717,441)**	25,550,903
Cash flows from investing activities		
Purchase of property and equipment	**(489,336)**	(291,440)
Proceeds on disposal of property and equipment	**8,000**	-
Net decrease in policyholders' loans	**2,706,457**	273,964
Proceeds from disposal of financial assets	**30,626,792**	3,818,114
Purchases of financial investments at amortised cost	**(61,334,706)**	-
Income received on deposits	**18,000,879**	16,583,993
Income received from debt securities	**1,588,909**	-
Dividends income received	**1,113,096**	1,008,270
Deposits encashed/(made) during the period	**18,025,000**	(36,546,250)
Income from investment properties	**9,657,279**	9,265,031
Net cash generated from/(used in) investing activities	**19,902,370**	(5,888,318)
Cash flows from financing activities		
Dividends paid	**(25,000,000)**	(15,000,000)
Cash used in financing activities	**(25,000,000)**	(15,000,000)
Net (decrease)/increase in cash and cash equivalents	**(9,815,071)**	4,662,585
Cash and cash equivalents at the beginning of the period	**26,671,117**	16,878,392
Cash and cash equivalents at the end of the period	**16,856,046**	21,540,977

The accompanying notes form an integral part of these condensed financial statements.

Notes to the condensed financial statements
for the period ended 30 September 2014

1. General information

Alliance Insurance P.S.C. (the "Company") is a Public Shareholding Company which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company was converted to a Public Shareholding Company (P.S.C.) in January 1995, in accordance with the 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 establishment of Insurance Authority and Organization of its Operations and executive regulations of 2010.

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

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the condensed financial statements

The following new and revised IFRSs have been adopted in these condensed financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual Periods beginning on or after
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 recoverable amount disclosures: The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.	1 January 2014
• IFRIC 21 – Levies: Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.1 New and revised IFRSs applied with no material effect on the condensed financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities: On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.	1 January 2014

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 July 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, *"Interim Financial Reporting"* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2013.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2013. In addition, results for the nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The accounting policies in respect of investment properties, investment in securities and property and equipment disclosed in the annual audited financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, except land which is recorded at cost less impairment losses, if any. Depreciation is charged on straight-line basis over the estimated useful lives of the property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

The rates of depreciation used are based on the following estimated useful lives of the assets.

	Years
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4

3.2.1 Impairment testing of property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, 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. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

3. Summary of significant accounting policies (continued)

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued at each reporting period and are included in the statement of financial position at their fair values. These are determined with reference to the estimates made by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within income from investment property. Rental income and operating expenses from investment property are reported in 'Income from investment property' on net basis.

3.4 Financial instruments

3.4.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs except for those carried at fair value through profit or loss, which are measured initially at fair value. Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured subsequently as described below.

3.4.2 Classification and subsequent measurement of financial assets

The Company classifies its financial assets as investments at fair value through other comprehensive income ('FVTOCI') and financial assets at amortised cost. The classification depends on the nature of these investments.

3.4.3 Investments at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. They are initially recognised at fair value plus transactions costs.

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

3.4 Financial instruments (continued)

3.4.4 Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date.

3.4.5 Gains and losses on subsequent measurement

Gain and loss arising from change in fair value of investments at FVTOCI are recognised in other comprehensive income and accumulated in the cumulative change in fair value of securities within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity to income statement and directly taken to retained earnings.

3.4.6 Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered. A financial liability is derecognised when it is extinguished. The Company uses the specific identification method to determine the gains or losses on derecognition.

3.4.7 Financial assets at amortised cost

Investments in financial instruments which comprise of short and long term deposits, financial investments, and most other receivables are measured at amortised cost using the effective interest method. These instruments comprise of short and long term deposits placed with various banks. Discounting is omitted where the effect of discounting is immaterial.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

5. Property and equipment

All property and equipment are located in U.A.E.

6. Investment properties

Investment properties represent the fair value of two commercial buildings located in U.A.E.

Management estimates that there has been no change in the fair value of investment properties since 31 December 2013.

Notes to the condensed financial statements for the period ended 30 September 2014 (continued)

7. Financial investments

7.1 Financial assets – deposits at amortized cost

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Short term deposits with banks in U.A.E.	**652,478,125**	670,503,125
Accrued interest	**14,636,126**	10,571,240
	667,114,251	681,074,365
Long term deposits with banks in U.A.E.	**33,005,000**	33,005,000
Accrued interest	**687,188**	1,046,007
	33,692,188	34,051,007
	700,806,439	715,125,372

Deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1% to 5.25% (31 December 2013 from 1.20% to 5.25%).

7.2 At fair value through other comprehensive income (FVTOCI):

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Quoted equity securities in U.A.E.	**11,512,161**	22,016,828
Quoted funds outside U.A.E.	-	10,196,714
Unquoted equity securities in U.A.E.	**42,350**	42,350
	11,554,511	32,255,892

7.3 Financial investment at amortised cost:

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Quoted bonds issued by local banks in UAE*	**61,177,291**	-
Unquoted bonds issued by local banks in UAE	**36,166,140**	36,070,067
	97,343,431	36,070,067

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

7. Financial investments (continued)

7.3 Financial investment at amortised cost (continued):

The bonds carry at coupon rates of 5.00% to 6.25% per annum and interest is payable semi-annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instruments life.

*The fair value of quoted bonds measured at amortised cost of AED 61.00 million as at 30 September 2014 amounts to AED 60.84 million.

8. Statutory deposit

Statutory deposit represents fixed deposits with a bank under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations.

9. Insurance contract liabilities and re-insurance contract assets

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**21,536,126**	16,118,960
Claims incurred but not reported	**3,067,345**	2,934,749
Unearned premiums	**82,795,092**	55,054,191
Deferred acquisition costs	**2,840,986**	2,426,854
Total insurance contract liabilities - gross	**110,239,549**	76,534,754
Recoverable from re-insurers		
Claims reported unsettled	**12,501,004**	7,066,552
Unearned premiums	**69,286,886**	44,135,411
Total re-insurers' share of insurance contract liabilities	**81,787,890**	51,201,963
Insurance contract liabilities - net		
Claims reported unsettled	**9,035,122**	9,052,408
Claims incurred but not reported	**3,067,345**	2,934,749
Unearned premiums	**13,508,206**	10,918,780
Deferred acquisition costs	**2,840,986**	2,426,854
	28,451,659	25,332,791

10. Cash and cash equivalents

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Cash on hand	**72,539**	886,490
Current accounts with banks	**16,783,507**	25,784,627
	16,856,046	26,671,117

Bank balances are maintained with banks in U.A.E.

11. Share capital

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each (2013: 1,000,000 ordinary shares of AED 100 each)	**100,000,000**	100,000,000

12. Statutory reserve

In accordance with the Company's articles of association and U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of minimum of 10% of the Company's annual profit. As per the Company's Articles of Association, such transfers are required until the balance of the statutory reserve is equal to 100% of the Company's share capital.

13. Regular reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual profit must be transferred to a regular reserve. Such transfers are required until the balance on this reserve is equal to 100% of the Company's share capital, or until the transfer is suspended by a resolution of the shareholders.

14. General reserve

At the annual general meeting held on 23 March 2014, the Shareholders approved the transfer of AED 5,000,000 (2013: AED 20,000,000) to general reserve which can be utilised for any purpose approved by the shareholders as per the Articles of Association of the Company.

Notes to the condensed financial statements for the period ended 30 September 2014 (continued)

15. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2014 (unaudited)	2013 (unaudited) (restated)	**2014 (unaudited)**	2013 (unaudited) (restated)
Profit for the period attributable to the shareholders (in AED)	**9,460,590**	6,105,288	**32,488,362**	29,096,436
Number of shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Basic earnings per share (in AED)	**9.46**	6.11	**32.49**	29.10

16. Dividend

At the Annual General Meeting held on 23 March 2014, the Shareholders approved cash dividends of 25% which is AED 25 per share amounting to AED 25,000,000 for 2013 (2012: 15% which is AED 15 per share amounting to AED 15,000,000).

17. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Transactions:

During the period, the Company entered into the following transactions with related parties:

	Three months period ended 30 September		Nine months period ended 30 September	
	2014 AED (unaudited)	2013 AED (unaudited)	**2014 AED (unaudited)**	2013 AED (unaudited)
Premium	**109,058**	153,247	**3,216,545**	3,244,877
Directors' and key management personnel remuneration including benefits	**293,691**	299,609	**878,733**	805,192
Claims paid	**365,727**	54,254	**694,556**	754,586

Terms and conditions of transactions with related parties are not significantly different from those of third parties.

Notes to the condensed financial statements for the period ended 30 September 2014 (continued)

18. Segment information

For management purposes, the Company is organised into two business segments, general insurance and life assurance. The general insurance segment comprises motor, marine, fire, engineering, medical, group life, and general accident. The life assurance segment includes only long term life. These segments are the basis on which the Company reports its primary segment information. No transactions were conducted between the segments.

During the period, the Company revisited the segmental classifications and accordingly have reclassified the medical and group life into general division which were earlier included in life segment.

The above changes have been reflected in the comparative information presented for 2013 in these condensed financial statements.

Segmental information is presented below:

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

18. Segment information (continued)

	30 September 2014			30 September 2013		
	Life Division AED (unaudited)	**General Division AED (unaudited)**	**Total AED (unaudited)**	Life Division AED (unaudited) (restated)	General Division AED (unaudited) (restated)	Total AED (unaudited) (restated)
Gross premium	**75,040,393**	**182,978,359**	**258,018,752**	75,599,228	172,308,533	247,907,761
Net underwriting income	**922,586**	**8,759,342**	**9,681,928**	10,790,439	8,129,273	18,919,712
Interest income on deposits	**14,512,417**	**7,194,529**	**21,706,946**	15,574,692	7,451,078	23,025,770
Income from investment property (net)	**6,396,640**	**3,755,895**	**10,152,535**	6,192,989	3,440,095	9,633,084
Profit from investment activities	**4,463,001**	**1,746,440**	**6,209,441**	2,595,733	827,723	3,423,456
Other income	**306,667**	**2,413,497**	**2,720,164**	478,888	1,203,926	1,682,814
	26,601,311	**23,869,703**	**50,471,014**	35,632,741	21,052,095	56,684,836
Surplus transferred to policyholders' fund	**(17,982,652)**	**-**	**(17,982,652)**	(27,588,400)	-	(27,588,400)
Net surplus (life)/net income (general)	**8,618,659**	**23,869,703**	**32,488,362**	8,044,341	21,052,095	29,096,436
	30 September 2014 (unaudited)			31 December 2013 (audited)		
Segment assets	**693,650,693**	**539,804,860**	**1,233,455,553**	681,959,810	484,479,671	1,166,439,481
Segment liabilities	**632,978,127**	**190,043,325**	**823,021,452**	616,830,115	156,589,038	773,419,153

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

19. Commitments and contingent liabilities

	30 September 2014 AED (unaudited)	31 December 2013 AED (audited)
Letters of guarantees	**11,087,840**	11,127,018

As at the end of the reporting period, there were certain legal cases pending in different courts in the U.A.E against the Company having an aggregated claims amount to AED 1.08 million (2013: AED 0.6 million). The legal counsel is confident that these legal cases will be judged in favour of the Company.

20. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

20.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 7.3 of these condensed financial statements.

20.2 Fair value of financial and non-financial items carried at fair value

20.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at 30 September 2014 AED (unaudited)	Fair value as at 31 December 2013 AED (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	**11,512,161**	22,016,828	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted funds FVTOCI	-	10,196,714	Level 1	Quoted bid prices in an active market.	None.	NA

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	30 September 2014 AED (unaudited)	Fair value as at 31 December 2013 AED (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Unquoted equity securities – FVTOCI	**42,350**	42,350	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.

20.2.3 Fair value hierarchy

Analysis of financial instruments and non-financial items that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 September 2014 (unaudited)				
Investments at FVTOCI				
Quoted equities	**11,512,161**	-	-	**11,512,161**
Unquoted equities	-	-	**42,350**	**42,350**
Investment property	-	-	**179,669,600**	**179,669,600**
	11,512,161	-	**179,711,950**	**191,224,111**

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.3 Fair value hierarchy (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2013 (audited)				
Investments at FVTOCI				
Quoted equities	22,016,828	-	-	22,016,828
Quoted funds	10,196,714	-	-	10,196,714
Unquoted equities	-	-	42,350	42,350
Investment property	-	-	179,669,600	179,669,600
	32,213,542	-	179,711,950	211,925,492

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the nine month period ended 30 September 2014 and 2013.

22. Impact of the change in accounting policy for the condensed statement of income as at 30 September 2013

At 31 December 2013, the Company changed its accounting policy for commission expenses and commission income with retrospective effect. Prior to the change in accounting policy, commission expenses and commission income were recognized in statement of income, in the period in which the insurance contract was written or reinsurance premium was ceded. The change in accounting policy resulted in commission expenses and commission income being deferred over the effective life of the insurance contracts written or reinsurance premium ceded.

The impact of the change in accounting policy on the results for nine months period ended 30 September 2013 was to decrease the profit by AED 125,974 (see note 24).

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

23. Change in accounting estimate

Management has changed the basis adopted for calculating the unearned premium reserve with effect from 1 January 2013 for general insurance. This reserve is calculated based on the age of the policy (1/365). Management had previously used the 25% and 40% method to assess the reserve requirements in prior years. The reason for change was to achieve more accurate estimate in line with the nature of this reserve.

The impact of change in accounting estimate on the results for nine month period ended 30 September 2013 was to decrease the profit by AED 1,260,963 (see note 24).

24 Impact of the change in accounting policy/estimate for the condensed income statement

The condensed financial statements for the nine months period ended 30 September 2013 were issued prior to change in accounting policy and accounting estimate. Accordingly, the comparative information for 2013 has been restated as follows:

	As previously reported		Restatements		Restated	
	Three months period ended 30 September 2013 AED (unaudited)	Nine months period ended 30 September 2013 AED (unaudited)	Three months period ended 30 September 2013 AED (unaudited)	Nine months period ended 30 September 2013 AED (unaudited)	Three months period ended 30 September 2013 AED (unaudited)	Nine months period ended 30 September 2013 AED (unaudited)
Net change in deferred acquisition costs	-	-	(138,542)	(125,974)	138,542	125,974
Net change in un-earned premium due to change in accounting estimate	362,202	304,254	1,730,425	(1,260,963)	(1,368,223)	1,565,217
Profit for the period	4,513,405	30,483,373	1,591,883	(1,386,937)	6,105,288	29,096,436
Basic earnings per share (AED)	4.51	30.48	-	-	6.11	29.10

25. Approval of the condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 30 October 2014.