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ALLIANCE INSURANCE P.S.C.

Review report and interim financial information
for the period ended 30 September 2015

ALLIANCE INSURANCE P.S.C.

Contents

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/middleeast

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 2015 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"*.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
11 November 2015

ALLIANCE INSURANCE P.S.C.

Condensed statement of financial position
At 30 September 2015

	Notes	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	5	4,592,160	3,952,965
Investment properties	6	186,327,600	186,327,600
Financial investments at fair value through other comprehensive income (FVTOCI)	7.1	8,098,297	7,674,368
Financial investments at amortised cost	7.2	127,488,270	97,359,639
Policyholders' loans		46,047,237	48,661,900
Financial assets – deposits at amortised cost	7.3	33,763,853	34,113,922
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		416,317,417	388,090,394
Current assets			
Re-insurance contract assets	9	98,164,646	56,039,742
Insurance and other receivables		75,572,454	73,155,530
Financial assets – deposits at amortised cost	7.3	663,611,033	675,001,434
Cash and cash equivalents	10	21,255,359	21,877,280
Total current assets		858,603,492	826,073,986
Total assets		1,274,920,909	1,214,164,380
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	100,000,000	100,000,000
Statutory reserve	12	61,555,797	61,555,797
Regular reserve	13	51,966,597	51,966,597
General reserve	14	180,000,000	165,000,000
Cumulative change in fair value of securities		(2,707,619)	(3,131,548)
Retained earnings		39,170,494	46,138,085
Total equity		429,985,269	421,528,931
Non-current liabilities			
Provision for employees' end of service indemnity		4,310,085	4,415,866
Policyholders' funds		615,488,884	597,488,010
Total non-current liabilities		619,798,969	601,903,876
Current liabilities			
Insurance contract liabilities	9	121,777,219	80,900,834
Insurance and other payables		103,359,452	109,830,739
Total current liabilities		225,136,671	190,731,573
Total liabilities		844,935,640	792,635,449
Total equity and liabilities		1,274,920,909	1,214,164,380

Sheikh Ahmed Bin Saeed Al Maktoum Chairman	Saeed Mohammed Alkamda Vice- Chairman	Aimen Saba Azara Director and Gerneral Manager

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

Condensed statement of income (unaudited)
for the period ended 30 September 2015

	Notes	Three months period ended 30 September 2015 AED	Three months period ended 30 September 2014 AED	Nine months period ended 30 September 2015 AED	Nine months period ended 30 September 2014 AED
Net underwriting profit – General		**899,571**	1,136,192	**6,112,579**	8,759,342
Income from investment property (net)		**1,240,401**	1,121,033	**3,994,681**	3,755,895
Profit from investment activities		**593,707**	629,662	**2,147,010**	1,746,440
Interest income		**2,268,488**	2,389,980	**6,890,798**	7,194,529
Other income		**515,184**	643,331	**2,344,851**	2,413,497
Profit from general insurance business	18	**5,517,351**	5,920,198	**21,489,919**	23,869,703
Surplus transferred from long- term business (life) account		**4,433,616**	3,540,392	**11,542,490**	8,618,659
Profit for the period		**9,950,967**	9,460,590	**33,032,409**	32,488,362
Basic earnings per share	15	**9.95**	9.46	**33.03**	32.49

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

Condensed statement of comprehensive income (unaudited)
for the period ended 30 September 2015

	Three months period ended 30 September		Nine months period ended 30 September	
	2015	2014	**2015**	2014
	AED	AED	**AED**	AED
Profit for the period	**9,950,967**	9,460,590	**33,032,409**	32,488,362
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net fair value (loss)/gain on revaluation of investments designated at FVTOCI	**(1,835,531)**	1,181,394	**423,929**	4,049,769
Gain on sale of investments designated at FVTOCI	**-**	1,442,847	**-**	5,875,642
Total other comprehensive (loss)/income for the period	**(1,835,531)**	2,624,241	**423,929**	9,925,411
Total comprehensive income for the period	**8,115,436**	12,084,831	**33,456,338**	42,413,773

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

Condensed statement of changes in equity
for the period ended 30 September 2015

	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 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 changes in equity
for the period ended 30 September 2015 (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 2014 (audited)	100,000,000	61,555,797	51,966,597	165,000,000	(3,131,548)	46,138,085	421,528,931
Profit for the period	-	-	-	-	-	33,032,409	33,032,409
Other comprehensive income for the period	-	-	-	-	423,929	-	423,929
Total comprehensive income for the period	-	-	-	-	423,929	33,032,409	33,456,338
Dividends (Note 16)	-	-	-	-	-	(25,000,000)	(25,000,000)
Transfer to general reserve	-	-	-	15,000,000	-	(15,000,000)	-
Balance at 30 September 2015 (unaudited)	**100,000,000**	**61,555,797**	**51,966,597**	**180,000,000**	**(2,707,619)**	**39,170,494**	**429,985,269**

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

Condensed statement of cash flows (unaudited) for the period ended 30 September 2015

	Nine months period ended 30 September 2015 AED	2014 AED
Cash flows from operating activities		
Profit for the period	33,032,409	32,488,362
Adjustments for:		
Depreciation of property and equipment	239,842	215,289
Profit on disposal of property and equipment	-	(8,000)
Increase in policyholders' funds	18,000,874	17,982,652
Income from deposits	(20,674,560)	(21,706,946)
Income from debt securities	(5,253,827)	(2,740,272)
Dividends income on securities	(384,807)	(1,113,096)
Interest on policyholders' loans	(2,385,669)	(2,417,415)
Income from investment properties	(11,047,341)	(10,152,535)
Amortization on financial investments	(38,631)	61,342
Provision for employees' end of service indemnity	584,147	260,181
Operating cash flows before changes in operating assets and liabilities	12,072,437	12,869,562
Increase in insurance and other receivables	(1,963,284)	(18,360,542)
Increase in reinsurance contract assets	(42,124,904)	(30,585,927)
Increase in insurance contract liabilities	40,876,385	33,704,795
Decrease in insurance and other payables	(8,174,106)	(1,600,734)
Cash generated from/(used in) operations	686,528	(3,972,846)
Employees' end of service indemnity paid	(689,928)	(744,595)
Net cash used in operating activities	(3,400)	(4,717,441)
Cash flows from investing activities		
Purchase of property and equipment	(879,037)	(489,336)
Proceeds on disposal of property and equipment	-	8,000
Net decrease in policyholders' loans	5,000,332	2,706,457
Proceeds from disposal of financial assets	-	30,626,792
Purchases of financial investments at amortised cost	(30,090,000)	(61,334,706)
Income received on deposits	16,506,029	18,000,879
Income received from debt securities	4,800,187	1,588,909
Dividends income received	384,807	1,113,096
Deposits encashed during the period	15,909,001	18,025,000
Income from investment properties	12,750,160	9,657,279
Net cash generated from investing activities	24,381,479	19,902,370
Cash flows from financing activities		
Dividends paid	(25,000,000)	(25,000,000)
Cash used in financing activities	(25,000,000)	(25,000,000)
Net decrease in cash and cash equivalents	(621,921)	(9,815,071)
Cash and cash equivalents at the beginning of the period	21,877,280	26,671,117
Cash and cash equivalents at the end of the period	21,255,359	16,856,046

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

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's shares are listed on the Dubai Financial Market.

The Company underwrites accident and liabilities, life, fire, transportation risk, credit and saving, health and other types of insurance business.

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

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, 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 period and prior year 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 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
• 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

2.2 New and revised 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 are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 7 Financial Instruments: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

Notes to the condensed financial statements
for the period ended 30 September 2015 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• 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 2018
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
• Amendments to IAS 16 and IAS 34 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of *Interests in Joint Operations*.	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 IAS 39/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 IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	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

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's condensed financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014) and IFRS 15, may have no material impact on the condensed financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the Company's financial statements for the annual period beginning 1 January 2018. The application of IFRS 15 and IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

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 2014.

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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 2014. In addition, results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

Land is not depreciated and is stated at cost.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress and land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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 profit or loss.

The useful lives considered in the calculation of depreciation for the assets are 4 years.

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

3. Summary of significant accounting policies (continued)

3.3 Investment properties (continued)

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants.

3.4 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of their tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.5 Financial instruments

3.5.1 Recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3. Summary of significant accounting policies (continued)

3.6 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.6.1 Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3.6.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.6.5 below), with interest income recognised on an effective yield basis.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.6.2.1 Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and current accounts with banks, are classified as financial assets at amortised cost.

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2.2 Insurance and other receivables, deposits and statutory deposits

Insurance and other receivables (excluding prepayments), deposits and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

3.6.3 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings.

The Company has designated all investments in equity instruments and funds that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.6.4 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Notes to the condensed financial statements for the period ended 30 September 2015 (continued)

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.4 Financial assets at fair value through profit or loss (FVTPL) (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 20.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.6.5 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.6 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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 2014.

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.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2015 (31 December 2014: Level 3).

Notes to the condensed financial statements
for the period ended 30 September 2015 (continued)

7. Financial investments

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

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Quoted equity securities in U.A.E.	8,055,947	7,632,018
Unquoted equity securities in U.A.E.	42,350	42,350
	8,098,297	7,674,368

7.2 Financial investment at amortised cost:

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Quoted bonds issued by local banks in UAE	61,113,148	61,161,122
Unquoted bonds issued by local banks in UAE	66,375,122	36,198,517
	127,488,270	97,359,639

The bonds carry coupon rates of between 5.00% to 7.25% 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 as at 30 September 2015 is AED 61.8 million (31 December 2014: AED 61 million).

7.3 Financial assets – deposits at amortised cost

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Short term deposits with banks in U.A.E.	650,211,000	666,120,001
Accrued interest	13,400,033	8,881,433
	663,611,033	675,001,434
Long term deposits with banks in U.A.E.	33,005,000	33,005,000
Accrued interest	758,853	1,108,922
	33,763,853	34,113,922
	697,374,886	709,115,356

Notes to the condensed financial statements
for the period ended 30 September 2015 (continued)

7. **Financial investments** (continued)

7.3 Financial investment at amortised cost (continued):

Deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.00% to 5.25% (31 December 2014 from 1.20% to 5.25%).

8. **Statutory deposit**

A deposit of AED 10,000,000 (31 December 2014: AED 10,000,000) has been placed with one of the Company's Banks, in accordance with local insurance regulatory requirements. This deposit has been pledged to the Bank as security against a guarantee issued by the Bank in favour of the Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of the Insurance Authority and bears an interest rate of 3% per annum. (31 December 2014: 3% per annum).

9. **Insurance contract liabilities and re-insurance contract assets**

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**43,349,389**	15,700,520
Claims incurred but not reported	**2,720,073**	3,150,584
Unearned premiums	**73,021,337**	59,352,664
Deferred acquisition cost	**2,686,420**	2,697,066
Total insurance contract liabilities - gross	**121,777,219**	80,900,834
Recoverable from re-insurers		
Claims reported unsettled	**36,548,858**	7,819,311
Unearned premiums	**61,615,788**	48,220,431
Total re-insurers' share of insurance contract liabilities	**98,164,646**	56,039,742
Net		
Claims reported unsettled	**6,800,531**	7,881,209
Claims incurred but not reported	**2,720,073**	3,150,584
Unearned premiums	**11,405,549**	11,132,233
Deferred acquisition cost	**2,686,421**	2,697,066
	23,612,574	24,861,092

10. Cash and cash equivalents

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Cash on hand	**70,574**	824,076
Current accounts with banks	**21,184,785**	21,053,204
	21,255,359	21,877,280

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

11. Share capital

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each (2014: 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 Article 192 of the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended), a minimum of 10% of the Company's profit for the year should be transferred to a non-distributable statutory reserve. As per the Company's Articles of Association, such transfers are required until the balance on the statutory reserve equals 100% of the Company's paid-up share capital.

13. Regular reserve

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

14. General reserve

The Shareholders approved to transfer of AED 15 million in 2015 (2014: AED 5 million) to general reserve which can be utilised for any purpose approved by the shareholders as per the Articles of Association of the Company.

15. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Profit for the period attributable to the shareholders (in AED)	9,950,967	9,460,590	33,032,409	32,488,362
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (in AED)	9.95	9.46	33.03	32.49

16. Dividend

At the annual general meeting held on 5 April 2015, the Shareholders approved a cash dividend of AED 25 per share amounting to AED 25 million for 2014. A cash dividend of 25% which is AED 25 per share amounting to AED 25 million was declared in the Annual General Meeting held on 23 March 2014 for 2013.

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	
	2015 (unaudited) AED	2014 (unaudited) AED	2015 (unaudited) AED	2014 (unaudited) AED
Premium	67,725	109,058	3,762,874	3,216,545
Claims paid	174,215	365,727	490,778	694,556

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 2015 (continued)

17. Related party transactions (continued)

Compensation of key management personal

	Three months period ended 30 September		Nine months period ended 30 September	
	2015	2014	**2015**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	AED	AED	**AED**	AED
Directors' and key management personnel remuneration including benefits	**320,076**	293,691	**1,034,697**	878,733

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.

Segmental information is presented below:

Notes to the condensed financial statements
for the period ended 30 September 2015 (continued)

18. Segment information (continued)

	30 September 2015			30 September 2014		
	Life Division (unaudited) AED	General Division (unaudited) AED	Total (unaudited) AED	Life Division (unaudited) AED	General Division (unaudited) AED	Total (unaudited) AED
Gross premium	74,614,260	171,856,053	246,470,313	75,040,393	182,978,359	258,018,752
Net underwriting income	2,480,174	6,112,579	8,592,753	922,586	8,759,342	9,681,928
Interest income on deposits	13,783,762	6,890,798	20,674,560	14,512,417	7,194,529	21,706,946
Income from investment property (net)	7,052,660	3,994,681	11,047,341	6,396,640	3,755,895	10,152,535
Profit from investment activities	5,915,924	2,147,010	8,062,934	4,463,001	1,746,440	6,209,441
Other income	310,844	2,344,851	2,655,695	306,667	2,413,497	2,720,164
	29,543,364	21,489,919	51,033,283	26,601,311	23,869,703	50,471,014
Surplus transferred to policyholders' fund	(18,000,874)	-	(18,000,874)	(17,982,652)	-	(17,982,652)
Net surplus (life)/net income (general)	11,542,490	21,489,919	33,032,409	8,618,659	23,869,703	32,488,362

	30 September 2015 (unaudited)			31 December 2014 (audited)		
	AED	AED	AED	AED	AED	AED
Segment assets	726,889,461	548,031,448	1,274,920,909	713,234,436	500,929,944	1,214,164,380
Segment liabilities	651,890,068	193,045,572	844,935,640	646,664,238	145,971,211	792,635,449

19. Commitments and contingent liabilities

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Letters of guarantee	**11,254,436**	11,087,840
Capital commitments	**100,000**	401,818

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

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 7.2 of these condensed financial statements.

20.2 Fair value of financial instruments carried at fair value

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

The fair values of financial assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2014.

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

Financial instruments 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from 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); and

Notes to the condensed financial statements
for the period ended 30 September 2015 (continued)

20.2 Fair value of financial instruments 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)

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 2015 (unaudited) AED	Fair value as at 31 December 2014 (audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	**8,055,947**	7,632,018	Level 1	Quoted bid prices in an active market.	None.	NA
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.

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 2015 and 2014.

22. Approval of the condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 11 November 2015.