



Grant Thornton

ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED JUNE 30, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

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for the period ended June 30, 2011

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**REVIEW REPORT TO THE SHAREHOLDERS OF
ALLIANCE INSURANCE (PSC)**

Public Accountants

P.O. Box 1620
Warba Centre
Deira-Abu Baker Al Siddique Road
Dubai, United Arab Emirates
Tel. : 971 (4) 2688070
Fax. : 971 (4) 2694599
E-mail : info@gtuae.net
Website : www.gtuae.net

Introduction

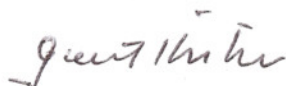
We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) as at June 30, 2011 and the related interim condensed statement of comprehensive income, interim condensed statement of changes in equity, and interim condensed statement of cash flows for the six-months period then ended. Management is responsible for the preparation and fair presentation of interim condensed financial information in accordance with International Accounting Standard No. 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagement 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance as that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34.



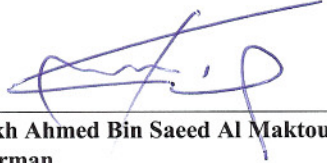
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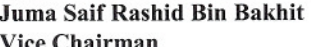
Farouk Mohamed
Registration No. 54
Dubai
United Arab Emirates
August 7, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of financial position
as at June 30, 2011 (Un-audited)

	(Un-audited) June 30, 2011 AED	(Audited) December 31, 2010 AED
Assets		
Non-current		
Investment property	182,769,600	182,769,600
Statutory deposit	10,000,000	10,000,000
Policyholders' loans	45,712,068	43,672,136
Property and equipment	2,877,871	2,977,530
Non-current assets	<u>241,359,539</u>	<u>239,419,266</u>
Current		
Investments and deposits-held to maturity	596,740,630	585,922,580
Available-for-sale financial assets	21,378,634	21,277,227
Insurance and other receivables	82,824,859	56,587,120
Reinsurance contract assets	18,624,040	17,331,246
Cash and cash equivalents	19,720,202	11,387,604
Current assets	<u>739,288,365</u>	<u>692,505,777</u>
Total assets	<u><u>980,647,904</u></u>	<u><u>931,925,043</u></u>
Equity and liabilities		
Equity		
Share capital	100,000,000	100,000,000
Legal reserve	46,738,280	44,079,719
Regular reserve	37,149,080	34,490,519
General reserve	120,000,000	100,000,000
Available-for-sale financial assets	(21,168,707)	(21,270,114)
Retained earnings	30,034,020	43,765,536
Total equity	<u>312,752,673</u>	<u>301,065,660</u>
Liabilities		
Non-current		
Employees' end-of-service benefits	4,797,323	4,618,357
Policyholders' funds	528,379,564	509,975,758
Non-current liabilities	<u>533,176,887</u>	<u>514,594,115</u>
Current		
Insurance contract liabilities	43,559,993	42,682,738
Insurance and other payables	39,185,974	41,770,010
Due to other insurers and reinsurers	51,972,377	31,812,520
Current liabilities	<u>134,718,344</u>	<u>116,265,268</u>
Total liabilities	<u>667,895,231</u>	<u>630,859,383</u>
Total equity and liabilities	<u><u>980,647,904</u></u>	<u><u>931,925,043</u></u>


Sheikh Ahmed Bin Saeed Al Maktoum
Chairman


Juma Saif Rashid Bin Bakhit
Vice Chairman


Wisam Al Haimus
Member of Board of Directors
and Chief Executive Officer

The notes 1 to 7 form an integral part of this interim condensed financial information.

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of comprehensive income
for the period ended June 30, 2011 (Un-audited)

	(Un-audited) Six months ended June 30, 2011 AED	(Un-audited) Six months ended June 30, 2010 AED	(Un-audited) Three months ended June 30, 2011 AED	(Un-audited) Three months ended June 30, 2010 AED
Net underwriting income - General	7,901,449	7,594,843	2,663,773	4,536,844
Interest income on deposits - General	4,492,444	4,170,351	2,282,054	2,098,130
Income from investment property (net)	2,163,435	2,640,293	976,621	1,295,982
Profit from investment activities	672,346	647,128	196,608	208,076
Other income	1,751,263	357,644	1,538,335	163,465
Income from general insurance business	<u>16,980,937</u>	<u>15,410,259</u>	<u>7,657,391</u>	<u>8,302,497</u>
Surplus transferred from long-term business (life) account	9,604,669	14,379,088	6,049,094	3,974,248
Net income for the period	<u>26,585,606</u>	<u>29,789,347</u>	<u>13,706,485</u>	<u>12,276,745</u>
Earnings per share based on net income - basic and diluted	<u>26.59</u>	<u>29.79</u>	<u>13.71</u>	<u>12.28</u>
Other comprehensive income	•			
Available-for-sale financial assets - current period gain/(loss)	101,407	(2,295,761)	(1,055,727)	(2,926,288)
Total comprehensive income for the period	<u>26,687,013</u>	<u>27,493,586</u>	<u>12,650,758</u>	<u>9,350,457</u>
Earnings per share based on total comprehensive income - basic and diluted	<u>26.69</u>	<u>27.49</u>	<u>12.65</u>	<u>9.35</u>

ALLIANCE INSURANCE (PSC)

Dubai - United Arab Emirates

**Interim condensed statement of changes in equity
for the period ended June 30, 2011 (Un-audited)**

	Share capital AED	Legal reserve AED	Regular reserve AED	General reserve AED	Available-for-sale financial asset AED	Retained earnings AED	Total AED
As at December 31, 2009 (Audited)	75,000,000	39,569,364	29,980,164	100,000,000	(20,608,996)	44,554,367	268,494,899
Issuance of bonus shares	25,000,000	-	-	-	-	(25,000,000)	-
Transfer to legal reserve	-	2,978,935	-	-	-	(2,978,935)	-
Transfer to regular reserve	-	-	2,978,935	-	-	(2,978,935)	-
Dividends paid	-	-	-	-	-	(11,250,000)	(11,250,000)
Transactions with owners	25,000,000	2,978,935	2,978,935	-	-	(42,207,870)	(11,250,000)
Net income for the period	-	-	-	-	-	29,789,347	29,789,347
<i>Other comprehensive income:</i>							
Available-for-sale financial assets - current period loss	-	-	-	-	(2,295,761)	-	(2,295,761)
Total comprehensive income for the period	-	-	-	-	(2,295,761)	29,789,347	27,493,586
As at June 30, 2010 (Un-audited)	100,000,000	42,548,299	32,959,099	100,000,000	(22,904,757)	32,135,844	284,738,485
Transfer to legal reserve	-	1,531,420	-	-	-	(1,531,420)	-
Transfer to regular reserve	-	-	1,531,420	-	-	(1,531,420)	-
Directors' remuneration	-	-	-	-	-	(621,670)	(621,670)
Transactions with owners	-	1,531,420	1,531,420	-	-	(3,684,510)	(621,670)
Net income for the period	-	-	-	-	-	15,314,202	15,314,202
<i>Other comprehensive income:</i>							
Available-for-sale financial assets - current period gain	-	-	-	-	1,634,643	-	1,634,643
Total comprehensive income for the period	-	-	-	-	1,634,643	15,314,202	16,948,845
As at December 31, 2010 (Audited)	100,000,000	44,079,719	34,490,519	100,000,000	(21,270,114)	43,765,536	301,065,660
Transfer to legal reserve	-	2,658,561	-	-	-	(2,658,561)	-
Transfer to regular reserve	-	-	2,658,561	-	-	(2,658,561)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Dividends paid	-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners	-	2,658,561	2,658,561	20,000,000	-	(40,317,122)	(15,000,000)
Net profit for the period	-	-	-	-	-	26,585,606	26,585,606
<i>Other comprehensive income:</i>							
Available-for-sale financial assets - current period gain	-	-	-	-	101,407	-	101,407
Total comprehensive income for the period	-	-	-	-	101,407	26,585,606	26,687,013
As at June 30, 2011 (Un-audited)	100,000,000	46,738,280	37,149,080	120,000,000	(21,168,707)	30,034,020	312,752,673

The notes 1 to 7 form an integral part of this interim condensed financial information.

ALLIANCE INSURANCE (PSC)

Dubai - United Arab Emirates

**Interim condensed statement of cash flows
for the period ended June 30, 2011 (Un-audited)**

	(Un-audited) Six months ended June 30, 2011 AED	(Un-audited) Six months ended June 30, 2010 AED
Operating activities		
Net income for the period	26,585,606	29,789,347
<i>Adjustments for:</i>		
Increase in Life fund (long term business)	18,403,806	18,672,889
Increase in provision for insurance contract liabilities	877,255	440,340
Depreciation on property and equipment	130,724	188,908
Provision for employees' end of service benefits	301,016	361,236
	<u>46,298,407</u>	<u>49,452,720</u>
Changes in working capital		
Increase in insurance and other receivables	(26,237,739)	(10,511,962)
Increase in reinsurance contract assets	(1,292,794)	(2,043,874)
Decrease in insurance and other payables	(2,584,036)	(6,640,816)
Increase in due to other insurers and reinsurers	20,159,857	7,638,485
	<u>36,343,695</u>	<u>37,894,553</u>
Employees' end of service benefits paid	(122,050)	-
Net cash provided by operating activities	<u>36,221,645</u>	<u>37,894,553</u>
Investing activities		
Increase in investments and deposits - held to maturity	(10,818,050)	(22,183,433)
Net increase in loans to policyholders	(2,039,932)	(1,278,494)
Purchase of property and equipment	(31,065)	(127,648)
Net cash used in investing activities	<u>(12,889,047)</u>	<u>(23,589,575)</u>
Financing activity		
Dividends paid	(15,000,000)	(11,250,000)
Net cash used in financing activity	<u>(15,000,000)</u>	<u>(11,250,000)</u>
 Net increase in cash and cash equivalents	 8,332,598	 3,054,978
Cash and cash equivalents as at January 1	11,387,604	12,752,921
Cash and cash equivalents as at June 30	<u><u>19,720,202</u></u>	<u><u>15,807,899</u></u>

The notes 1 to 7 form an integral part of this interim condensed financial information.

Alliance Insurance (PSC)

Notes to the interim condensed financial information (un-audited)

June 30, 2011

1. Legal status and activities

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

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

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

2. Significant accounting policies

The interim condensed financial information of the Company is prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2010.

3. Adoption of new and revised standards

The following new Standards and Interpretations have become mandatory during the period and have been adopted by the Company:

1. IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
2. IAS 32 (Amended) – Financial Instruments: Presentation

The adoption of these standards and interpretations has not led to any changes in the Company's accounting policies except certain changes in disclosures and terminologies.

4. Policyholders' funds

Policyholders' funds represent amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term (life) business as at June 30, 2011.

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated July 18, 2011, they assessed a surplus of AED 9,604,669 in the life insurance fund as at June 30, 2011 (December 31, 2010: AED 18,945,429).

Alliance Insurance (PSC)
Notes to the interim condensed financial information (un-audited)
June 30, 2011

4. Policyholders' funds (continued)

The Company's consulting actuaries changed their method for valuing individual life policies from Zilmerization to Full Preliminary Term (FPT). The FPT method will result in more uniform flow of surplus in different quarters without affecting the overall surplus for the full year. This change in valuation method resulted in a surplus in individual life business of AED 10,235,194 as at June 30, 2011 (June 30, 2010: AED 9,380,880).

5. Segment analysis

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

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

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

Alliance Insurance (PSC)
Notes to the interim condensed financial information (un-audited)
June 30, 2011

5 Segment analysis (continued)

	(Un-audited) Six months ended June 30, 2011 AED			(Un-audited) Six months ended June 30, 2010 AED			(Audited) Twelve months ended December 31, 2010 AED		
	Life Business	General Business	Total	Life Business	General Business	Total	Life Business	General Business	Total
Net underwriting income	6,531,643	7,901,449	14,433,092	14,139,551	7,594,843	21,734,394	11,431,530	11,764,219	23,195,749
Interest income on deposits	12,482,765	4,492,444	16,975,209	12,698,758	4,170,351	16,869,109	25,258,928	8,557,706	33,816,634
Income from investment property (net)	4,037,219	2,163,435	6,200,654	4,460,021	2,640,293	7,100,314	6,292,602	4,246,588	10,539,190
Profit from investment activities	1,524,926	672,346	2,197,272	1,500,438	647,128	2,147,566	2,922,664	647,642	3,570,306
Other income	3,431,923	1,751,263	5,183,186	253,211	357,644	610,855	2,631,305	941,965	3,573,270
	28,008,476	16,980,937	44,989,413	33,051,979	15,410,259	48,462,238	48,537,029	26,158,120	74,695,149
Surplus transferred to policyholders' fund	(18,403,807)	-	(18,403,807)	(18,672,891)	-	(18,672,891)	(29,591,600)	-	(29,591,600)
Net surplus (Life) / net income (General)	9,604,669	16,980,937	26,585,606	14,379,088	15,410,259	29,789,347	18,945,429	26,158,120	45,103,549
Segment assets	639,356,142	341,291,762	980,647,904	580,500,737	365,747,367	946,248,104	587,710,675	344,214,368	931,925,043
Segment liabilities	585,817,591	82,077,640	667,895,231	566,121,647	95,387,972	661,509,619	569,386,929	61,472,454	630,859,383

Alliance Insurance (PSC)**Notes to the interim condensed financial information (un-audited)****June 30, 2011****6. Use of estimates**

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

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

7. Contingent liabilities and commitments**Commitments**

The Company's bankers have issued in the normal course of business letters of guarantee in favour of third parties amounting to AED 17,858,084 as at June 30, 2011 (December 31, 2010: AED 10,753,156).

Legal cases

As at the period end, there were certain legal cases pending in different court of laws against the Company claiming AED 384,839 (December 31, 2010: AED 1,168,000) in total. The legal counsel is confident that these legal cases will be judged in favour of the Company.