

ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

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for the period ended September 30, 2011

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REVIEW REPORT TO THE SHAREHOLDERS OF ALLIANCE INSURANCE (PSC)

Public Accountants

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Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) as at September 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 nine-months period then ended. Management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standard No. 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

Grant Thornton

Farouk Mohamed

Registration No. 54

Dubai

United Arab Emirates

November 3, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

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

	Notes	(Un-audited) September 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		47,393,494	43,672,136
Property and equipment		2,814,499	2,977,530
Non-current assets		<u>242,977,593</u>	<u>239,419,266</u>
Current			
Investments and deposits-held to maturity	4	613,856,649	585,922,580
Available-for-sale financial assets	5	17,588,462	21,277,227
Insurance and other receivables		66,707,658	56,587,120
Reinsurance contract assets		18,319,746	17,331,246
Cash and cash equivalents		11,114,175	11,387,604
Current assets		<u>727,586,690</u>	<u>692,505,777</u>
Total assets		<u><u>970,564,283</u></u>	<u><u>931,925,043</u></u>
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Legal reserve		47,079,723	44,079,719
Regular reserve		37,490,523	34,490,519
General reserve		120,000,000	100,000,000
Available-for-sale financial assets		(24,958,879)	(21,270,114)
Retained earnings		32,765,566	43,765,536
Total equity		<u>312,376,933</u>	<u>301,065,660</u>
Liabilities			
Non-current			
Employees' end of service benefits		4,902,664	4,618,357
Policyholders' funds		539,700,344	509,975,758
Non-current liabilities		<u>544,603,008</u>	<u>514,594,115</u>
Current			
Insurance contract liabilities		40,724,783	42,682,738
Insurance and other payables		35,297,957	41,770,010
Due to other insurers and reinsurers		37,561,602	31,812,520
Current liabilities		<u>113,584,342</u>	<u>116,265,268</u>
Total liabilities		<u>658,187,350</u>	<u>630,859,383</u>
Total equity and liabilities		<u><u>970,564,283</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 9 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 September 30, 2011 (Un-audited)**

	(Un-audited) Nine months ended September 30, 2011 AED	(Un-audited) Nine months ended September 30, 2010 AED	(Un-audited) Three months ended September 30, 2011 AED	(Un-audited) Three months ended September 30, 2010 AED
Net underwriting income - General	9,255,473	8,383,810	1,354,024	788,967
Interest income on deposits - General	6,752,550	6,339,134	2,260,106	2,168,783
Income from investment property (net)	2,937,230	3,627,078	773,795	986,785
Profit from investment activities	672,654	647,128	308	-
Other income	1,935,053	524,428	183,790	166,784
Income from general insurance business	21,552,960	19,521,578	4,572,023	4,111,319
Surplus / (deficit) transferred from long-term business (life) account	8,447,078	17,511,079	(1,157,591)	3,131,991
Net income for the period	30,000,038	37,032,657	3,414,432	7,243,310
Earnings per share based on net income - basic and diluted	30.00	37.03	3.41	7.24
Other comprehensive income				
Available-for-sale financial assets - current period (loss) / gain	(3,688,765)	727,042	(3,790,172)	3,022,803
Total comprehensive income for the period	26,311,273	37,759,699	(375,740)	10,266,113
Earnings per share based on total comprehensive income - basic and diluted	26.31	37.76	(0.38)	10.27

The notes 1 to 9 form an integral part of this interim condensed financial information.

ALLIANCE INSURANCE (PSC)

Dubai - United Arab Emirates

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

	Share capital AED	Legal reserve AED	Regular reserve AED	General reserve AED	Available-for-sale financial assets 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	-	3,703,266	-	-	-	(3,703,266)	-
Transfer to regular reserve	-	-	3,703,266	-	-	(3,703,266)	-
Dividends paid	-	-	-	-	-	(11,250,000)	(11,250,000)
Transactions with owners	25,000,000	3,703,266	3,703,266	-	-	(43,656,532)	(11,250,000)
Net income for the period	-	-	-	-	-	37,032,657	37,032,657
<i>Other comprehensive income:</i>							
Unrealized gain on available for sale financial assets	-	-	-	-	727,042	-	727,042
Total comprehensive income for the period	-	-	-	-	727,042	37,032,657	37,759,699
As at September 30, 2010 (Un-audited)	100,000,000	43,272,630	33,683,430	100,000,000	(19,881,954)	37,930,492	295,004,598
Transfer to legal reserve	-	807,089	-	-	-	(807,089)	-
Transfer to regular reserve	-	-	807,089	-	-	(807,089)	-
Directors' remuneration	-	-	-	-	-	(621,670)	(621,670)
Transactions with owners	-	807,089	807,089	-	-	(2,235,848)	(621,670)
Net income for the period	-	-	-	-	-	8,070,892	8,070,892
<i>Other comprehensive income:</i>							
Unrealized loss on available for sale financial assets	-	-	-	-	(1,388,160)	-	(1,388,160)
Total comprehensive income for the period	-	-	-	-	(1,388,160)	8,070,892	6,682,732
As at December 31, 2010 (Audited)	100,000,000	44,079,719	34,490,519	100,000,000	(21,270,114)	43,765,536	301,065,660
Transfer to legal reserve	-	3,000,004	-	-	-	(3,000,004)	-
Transfer to regular reserve	-	-	3,000,004	-	-	(3,000,004)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Dividends paid	-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners	-	3,000,004	3,000,004	20,000,000	-	(41,000,008)	(15,000,000)
Net profit for the period	-	-	-	-	-	30,000,038	30,000,038
<i>Other comprehensive income:</i>							
Unrealized loss on available for sale financial assets	-	-	-	-	(3,688,765)	-	(3,688,765)
Total comprehensive income for the period	-	-	-	-	(3,688,765)	30,000,038	26,311,273
As at September 30, 2011 (Un-audited)	<u>100,000,000</u>	<u>47,079,723</u>	<u>37,490,523</u>	<u>120,000,000</u>	<u>(24,958,879)</u>	<u>32,765,566</u>	<u>312,376,933</u>

The notes 1 to 9 form an integral part of this interim condensed financial information.

ALLIANCE INSURANCE (PSC)

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

	(Un-audited) Nine months ended September 30, 2011 AED	(Un-audited) Nine months ended September 30, 2010 AED
Operating activities		
Net income for the period	30,000,038	37,032,657
<i>Adjustments for:</i>		
Increase in Life fund (long term business)	29,724,586	23,988,206
Increase in provision for insurance contract liabilities	(1,957,955)	(4,830,443)
Depreciation on property and equipment	194,096	238,445
Provision for employees' end of service benefits	301,016	459,540
	<u>58,261,781</u>	<u>56,888,405</u>
Changes in working capital		
Increase in insurance and other receivables	(10,120,538)	(3,184,411)
(Increase) / decrease in reinsurance contract assets	(988,500)	1,653,816
Decrease in insurance and other payables	(6,472,053)	(7,509,133)
Increase / (decrease) in due to other insurers and reinsurers	5,749,082	(1,602,291)
	<u>46,429,772</u>	<u>46,246,386</u>
Employees' end of service benefits paid	(16,709)	(50,907)
Net cash provided by operating activities	<u>46,413,063</u>	<u>46,195,479</u>
Investing activities		
Increase in investments and deposits - held to maturity	(27,934,069)	(34,008,064)
Net increase in loans to policyholders	(3,721,358)	(2,560,679)
Purchase of property and equipment	(31,065)	(82,335)
Net cash used in investing activities	<u>(31,686,492)</u>	<u>(36,651,078)</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 decrease in cash and cash equivalents	(273,429)	(1,705,599)
Cash and cash equivalents as at January 1	11,387,604	12,752,921
Cash and cash equivalents as at September 30	<u><u>11,114,175</u></u>	<u><u>11,047,322</u></u>

The notes 1 to 9 form an integral part of this interim condensed financial information.

Alliance Insurance (PSC)

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

September 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. Investments and deposits – held to maturity

	(Un-audited) September 30, 2011 AED	(Audited) December 31, 2010 AED
Short-term deposits – local	613,856,649 =====	585,922,580 =====

Short term deposits comprise of fixed deposits with various banks bearing annual interest rates on average between 3.5% and 6.00% p.a. (December 31, 2010: between 3.5% and 6.25% p.a.). The maturity of these deposits falls within one year.

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

5 Available-for-sale financial assets

	(Un-audited) September 30, 2011 AED	(Audited) December 31, 2010 AED
Quoted		
Shares and funds – local	8,479,927	8,479,927
Fair value adjustment	1,384,428	2,670,084
	<u>9,864,355</u>	<u>11,150,011</u>
Equities and funds – foreign	14,927,648	14,927,648
Fair value adjustment	(7,203,541)	(4,800,432)
	<u>7,724,107</u>	<u>10,127,216</u>
	<u>17,588,462</u>	<u>21,277,227</u>

The net movement in fair value in the current period was a decrease in value of AED 3,688,765 (December 31, 2010: 661,118) which has been carried to the fair value reserve in equity.

6. Policyholders' funds

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

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated October 17, 2011, they assessed a surplus of AED 8,447,078 in the life insurance fund as at September 30, 2011 (December 31, 2010: AED 18,945,429).

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 10,235,630 as at September 30, 2011 (September 30, 2010: AED 10,726,663).

Alliance Insurance (PSC)

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

September 30, 2011

7. Segment analysis

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

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

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

Alliance Insurance (PSC)

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

September 30, 2011

7 Segment analysis (continued)

	(Un-audited) Nine months ended September 30, 2011 AED			(Un-audited) Nine months ended September 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	8,109,721	9,255,473	17,365,194	13,267,147	8,383,810	21,650,957	11,431,530	11,764,219	23,195,749
Interest income on deposits	18,545,660	6,752,550	25,298,210	6,424,219	6,339,134	12,763,353	25,258,928	8,557,706	33,816,634
Income from investment property (net)	5,766,101	2,937,230	8,703,331	1,944,483	3,627,078	5,571,561	6,292,602	4,246,588	10,539,190
Profit from investment activities	2,192,915	672,654	2,865,569	18,978,421	647,128	19,625,549	2,922,664	647,642	3,570,306
Other income	3,557,267	1,935,053	5,492,320	885,015	524,428	1,409,443	2,631,305	941,965	3,573,270
	38,171,664	21,552,960	59,724,624	41,499,285	19,521,578	61,020,863	48,537,029	26,158,120	74,695,149
Surplus transferred to policyholders' fund	(29,724,586)	-	(29,724,586)	(23,988,206)	-	(23,988,206)	(29,591,600)	-	(29,591,600)
Net surplus (Life) / net income (General)	8,447,078	21,552,960	30,000,038	17,511,079	19,521,578	37,032,657	18,945,429	26,158,120	45,103,549
Segment assets	641,545,742	329,018,541	970,564,283	627,463,650	319,033,406	946,497,056	587,710,675	344,214,368	931,925,043
Segment liabilities	592,668,753	65,518,597	658,187,350	566,280,307	85,212,151	651,492,458	569,386,929	61,472,454	630,859,383

Alliance Insurance (PSC)

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

September 30, 2011

8. Use of estimates

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

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

9. Contingent liabilities and commitments

Commitments

The Company's bankers have issued in the normal course of business letters of guarantee in favour of third parties amounting to AED 13,041,527 as at September 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 524,839 (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.