Grant Thornton

ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED JUNE 30, 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Index to interim condensed financial information (un-audited)
for the period ended June 30, 2012

Grant Thornton

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@ae.gt.com
Website : www.gtuae.net

REVIEW REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ALLIANCE INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) as at June 30, 2012 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 this interim condensed financial information in accordance with International Accounting Standard No. 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial 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 IAS 34.

Grant Thornton

Grant Thornton

Farouk Mohamed
Registration No. 54
Dubai
United Arab Emirates
July 31, 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of financial position
as at June 30, 2012 (Un-audited)

	Notes	(Un-audited) June 30, 2012 AED	(Audited) December 31, 2011 AED
Assets			
Non-current			
Investment property	4	181,244,600	181,244,600
Financial assets - deposits		111,335,611	109,131,389
Statutory deposit		10,000,000	10,000,000
Policyholders' loans		48,115,346	47,460,908
Property and equipment		2,940,315	2,842,251
Non-current assets		353,635,872	350,679,148
Current			
Financial assets - deposits		542,823,637	538,288,738
Financial assets - equities and funds	5	19,901,322	17,032,761
Insurance and other receivables		60,341,071	39,377,587
Reinsurance contract assets		10,632,053	14,697,496
Cash and cash equivalents		20,103,032	12,090,249
Current assets		653,801,115	621,486,831
Total assets		1,007,436,987	972,165,979
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Legal reserve		50,513,873	48,240,824
Regular reserve		40,924,673	38,651,624
General reserve		140,000,000	120,000,000
Fair value reserve		(22,646,020)	(25,514,581)
Retained earnings		24,672,999	41,488,604
Total equity		333,465,525	322,866,471
Liabilities			
Non-current			
Employees' end-of-service benefits		4,751,133	4,990,921
Policyholders' funds		551,284,494	540,527,641
Non-current liabilities		556,035,627	545,518,562
Current			
Insurance contract liabilities		32,150,098	35,590,738
Insurance and other payables		36,075,847	38,147,572
Due to other insurers and reinsurers		49,709,890	30,042,636
Current liabilities		117,935,835	103,780,946
Total liabilities		673,971,462	649,299,508
Total equity and liabilities		1,007,436,987	972,165,979

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

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of comprehensive income
for the period ended June 30, 2012 (Un-audited)

	(Un-audited) Six months ended June 30, 2012 AED	(Un-audited) Six months ended June 30, 2011 AED	(Un-audited) Three months ended June 30, 2012 AED	(Un-audited) Three months ended June 30, 2011 AED
Net underwriting income - General	7,215,429	7,901,449	3,288,122	2,663,773
Interest income on deposits - General	3,996,931	4,492,444	1,997,182	2,282,054
Income from investment property (net)	2,166,156	2,163,435	1,026,804	976,621
Profit from investment activities	534,630	672,346	168,567	196,608
Other income	689,885	1,751,263	385,680	1,538,335
Profit from general insurance business	14,603,031	16,980,937	6,866,355	7,657,391
Surplus transferred from long-term business (Life) account	8,127,462	9,604,669	2,568,315	6,049,094
Net income for the period	22,730,493	26,585,606	9,434,670	13,706,485
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share based on net income - basic and dilutec	22.73	26.59	9.43	13.71
Other comprehensive income				
Unrealised loss on financial assets at fair value through other comprehensive income	2,868,561	101,407	(1,522,568)	(1,055,727)
Total comprehensive income	25,599,054	26,687,013	7,912,102	12,650,758
Earning per share based on total comprehensive income - basic and dilubted	25.60	26.69	7.91	12.65

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of changes in equity
for the year period ended June 30, 2012

	Notes	Share capital AED	Legal reserve AED	Regular reserve AED	General reserve AED	Fair value reserve on financial assets at fair value through other comprehensive income AED	Retained earnings AED	Total AED
As at December 31, 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 income for the period		-	-	-	-	-	26,585,606	26,585,606
Other comprehensive income:								
Net unrealized profit on investments		-	-	-	-	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
Transfer to legal reserve		-	1,502,544	-	-	-	(1,502,544)	-
Transfer to regular reserve		-	-	1,502,544	-	-	(1,502,544)	-
Director's remuneration		-	-	-	-	-	(565,776)	(565,776)
Transactions with owners		-	1,502,544	1,502,544	-	-	(3,570,864)	(565,776)
Net income for the period		-	-	-	-	-	15,025,448	15,025,448
Other comprehensive income:								
Net unrealized loss on investments		-	-	-	-	(4,345,874)	-	(4,345,874)
Total comprehensive income for the period		-	-	-	-	(4,345,874)	15,025,448	10,679,574
As at December 31, 2011 (Audited)		100,000,000	48,240,824	38,651,624	120,000,000	(25,514,581)	41,488,604	322,866,471
Transfer to legal reserve		-	2,273,049	-	-	-	(2,273,049)	-
Transfer to regular reserve		-	-	2,273,049	-	-	(2,273,049)	-
Transfer to general reserve		-	-	-	20,000,000	-	(20,000,000)	-
Dividends paid		-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners		-	2,273,049	2,273,049	20,000,000	-	(39,546,098)	(15,000,000)
Net income for the period							22,730,493	22,730,493
Other comprehensive income:								
Net unrealized profit on investments						2,868,561	-	2,868,561
Total comprehensive income for the period		-	-	-	-	2,868,561	22,730,493	25,599,054
As at June 30, 2012 (Un-audited)		100,000,000	50,513,873	40,924,673	140,000,000	(22,646,020)	24,672,999	333,465,525

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of cash flows
for the year period ended June 30, 2012 (Un-audited)

	(Un-audited) Six months ended June 30, 2012 AED	(Un-audited) Six months ended June 30, 2011 AED
Operating activities		
Net income for the year	22,730,493	26,585,606
Adjustments for:		
Increase in Life fund (long term business)	10,756,853	18,403,806
(Decrease)/increase in provision for insurance contract liabilities	(3,440,640)	877,255
Depreciation on property and equipment	115,273	130,724
Gain on disposal of property and equipment	(4,327)	
Provision for employees' end of service benefits	487,891	301,016
	30,645,543	46,298,407
Changes in working capital		
Increase in insurance and other receivables	(20,963,484)	(26,237,739)
Decrease / (Increase) in reinsurance contract assets	4,065,443	(1,292,794)
Decrease in insurance and other payables	(2,071,725)	(2,584,036)
Increase in due to other insurers and reinsurers	19,667,254	20,159,857
	31,343,031	36,343,695
Employees' end of service benefits paid	(727,679)	(122,050)
Cash from operating activities	30,615,352	36,221,645
Investing activities		
Increase in financial assets at amortized cost	(6,739,121)	(10,818,050)
Net increase in loans to policyholders	(654,438)	(2,039,932)
Purchase of property and equipment	(263,815)	(31,065)
Proceeds from disposal of property and equipment	54,805	-
Cash used in investing activities	(7,602,569)	(12,889,047)
Financing activities		
Dividends paid	(15,000,000)	(15,000,000)
Cash used in financing activities	(15,000,000)	(15,000,000)
Net increase in cash and cash equivalents	8,012,783	8,332,598
Cash and cash equivalents as at January 1,	12,090,249	11,387,604
Cash and cash equivalents as at June 30,	20,103,032	19,720,202

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

1. Legal status and activities

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

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

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

2. 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, 2011.

3. Adoption of new and revised standards

Certain revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2012:

Relevant to the Company's financial statements

IFRS 7	Financial Instruments: Disclosures - Enhanced derecognition disclosures requirements

4. Investment property

All investment property of the Company is located within United Arab Emirates.

In the opinion of management, there has been no change in the fair value of investment property since December 31, 2011.

5. Financial assets

	(Un-audited) June 30, 2012 AED	(Audited) December 31, 2011 AED
Financial assets - deposits		
Short-term deposits – local	531,460,315	527,271,865
Long-term deposits – local	109,000,000	109,000,000
Accrued interest	13,698,933	11,148,262
	654,159,248	647,420,127
Financial assets – equities and funds		
Quoted equity		
Equities and funds – local	8,479,927	8,479,927
Fair value adjustment	1,259,386	640,590
	9,739,313	9,120,517
Equities and funds – foreign	14,927,648	14,927,648
Fair value adjustment	(4,765,639)	(7,015,404)
	10,162,009	7,912,244
	19,901,322	17,032,761

Short term deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.5% to 4.5% p.a. (December 31, 2011: from 1.5% to 6.0% p.a.). The maturity of these deposits falls within one year.

Long term deposits comprise of fixed deposits with various banks bearing annual interest rate of 4.0% p.a. (December 31, 2011: 4.0% p.a.).

The net movement in fair value in the current period was an increase in value of AED 2,868,561 (December 31, 2011: decrease of AED 4,244,467) which has been carried to the fair value reserve in equity.

6. Policyholders' funds

Policyholders' funds represent amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term (life) business as at June 30, 2012.

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated July 18, 2012, they assessed a surplus of AED 8,127,462 in the life insurance fund as at June 30, 2012 (December 31, 2011: AED 16,080,672).

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.

6 Segment analysis (continued)

	(Un-audited) Six months ended June 30, 2012 AED			(Un-audited) Six months ended June 30, 2011 AED			(Audited) Twelve months ended December 31, 2011 AED		
	Life Business	General Business	Total	Life Business	General Business	Total	Life Business	General Business	Total
Net underwriting income	3,382,686	7,215,429	10,598,115	6,531,643	7,901,449	14,433,092	8,860,305	10,374,724	19,235,029
Interest income on deposits	9,627,738	3,996,931	13,624,669	12,482,765	4,492,444	16,975,209	24,173,827	8,930,983	33,104,810
Income from investment property (net)	4,050,922	2,166,156	6,217,078	4,037,219	2,163,435	6,200,654	6,842,884	3,358,658	10,201,542
Profit from investment activities	1,554,247	534,630	2,088,877	1,524,926	672,346	2,197,272	2,904,521	672,962	3,577,483
Other income	268,722	689,885	958,607	3,431,923	1,751,263	5,183,186	3,851,018	2,193,055	6,044,073
	18,884,315	14,603,031	33,487,346	28,008,476	16,980,937	44,989,413	46,632,555	25,530,382	72,162,937
Surplus transferred to policyholders' fund	(10,756,853)	-	(10,756,853)	(18,403,807)	-	(18,403,807)	(30,551,883)	-	(30,551,883)
Net surplus (Life) / net income (General)	8,127,462	14,603,031	22,730,493	9,604,669	16,980,937	26,585,606	16,080,672	25,530,382	41,611,054
Segment assets	654,747,609	352,689,378	###########	639,356,142	341,291,762	980,647,904	603,675,925	368,490,054	972,165,979
Segment liabilities	603,625,047	70,346,414	673,971,461	585,817,591	82,077,640	667,895,231	587,595,254	61,704,254	649,299,508

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 11,367,152 as at June 30, 2012 (December 31, 2011: AED 11,306,181).

Legal cases

As at the period end, there were certain legal cases pending in different court of laws against the Company claiming AED 234,548 (December 31, 2011: AED 1,544,980) in total. The legal counsel is confident that these legal cases will be judged in favour of the Company.

10. Dividend

The Board has proposed cash dividend of 15% of paid up capital, AED 15 million (AED 15 per share) for the year ended December 31, 2011. This was approved at the Annual General Meeting held on April 4, 2012 and was paid on April 14, 2012.