Grant Thornton

ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

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for the period ended March 31, 2011

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REVIEW REPORT 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 March 31, 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 three-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.

Grant Thornton

Grant Thornton

Farouk Mohamed
Registration No. 54
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April 26, 2011

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of financial position
as at March 31, 2011 (Un-audited)

	(Un-audited) March 31, 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	45,022,218	43,672,136
Property and equipment	2,914,225	2,977,530
Non-current assets	240,706,043	239,419,266
Current		
Investments and deposits-held to maturity	601,512,588	585,922,580
Available-for-sale financial assets	22,434,362	21,277,227
Insurance and other receivables	64,789,945	56,587,120
Reinsurance contract assets	20,098,719	17,331,246
Cash and cash equivalents	14,137,440	11,387,604
Current assets	722,973,054	692,505,777
Total assets	963,679,097	931,925,043
Equity and liabilities		
Equity		
Share capital	100,000,000	100,000,000
Legal reserve	45,367,631	44,079,719
Regular reserve	35,778,431	34,490,519
General reserve	100,000,000	100,000,000
Available-for-sale financial assets	(20,112,980)	(21,270,114)
Retained earnings	54,068,833	43,765,536
Total equity	315,101,915	301,065,660
Liabilities		
Non-current		
Employees' end-of-service benefits	4,558,140	4,618,357
Policyholders' funds	519,261,188	509,975,758
Non-current liabilities	523,819,328	514,594,115
Current		
Insurance contract liabilities	45,128,897	42,682,738
Insurance and other payables	49,652,961	41,770,010
Due to other insurers and reinsurers	29,975,996	31,812,520
Current liabilities	124,757,854	116,265,268
Total liabilities	648,577,182	630,859,383
Total equity and liabilities	963,679,097	931,925,043

Sheikh Ahmed Bin Saeed Al Maktoum	**Juma Saif Rashid Bin Bakhit**	**Wisam Al Haimus**
Chairman	**Vice Chairman**	**Member of Board of Directors and Chief Executive Officer**

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of comprehensive income
for the period ended March 31, 2011 (Un-audited)

	(Un-audited) Three months ended March 31, 2011 AED	(Un-audited) Three months ended March 31, 2010 AED
Net underwriting income - General	5,237,676	3,057,999
Interest income on deposits - General	2,210,390	2,072,221
Income from investment property (net)	1,186,814	1,344,311
Profit from investment activities	475,738	439,052
Other income	212,928	194,179
Income from general insurance business	9,323,546	7,107,762
Surplus transferred from long-term business (Life) account	3,555,575	10,404,840
Net income for the period	12,879,121	17,512,602
Earnings per share based on net income - basic and diluted	12.88	23.35
Other comprehensive income		
Available-for-sale financial assets - current period gain	1,157,134	630,527
Total comprehensive income for the period	14,036,255	18,143,129
Earnings per share based on total comprehensive income - basic and diluted	14.04	24.19

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of changes in equity for the period ended March 31, 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
Transfer to legal reserve	-	1,751,260	-	-	-	(1,751,260)	-
Transfer to regular reserve	-	-	1,751,260	-	-	(1,751,260)	-
Transactions with owners	-	1,751,260	1,751,260	-	-	(3,502,520)	-
Net income for the period	-	-	-	-	-	17,512,602	17,512,602
Other comprehensive income:							
Available-for-sale financial assets - current period gain	-	-	-	-	630,527	-	630,527
Total comprehensive income for the period	-	-	-	-	630,527	17,512,602	18,143,129
As at March 31, 2010 (Un-audited)	75,000,000	41,320,624	31,731,424	100,000,000	(19,978,469)	58,564,449	286,638,028
Issuance of bonus shares	25,000,000	-	-	-	-	(25,000,000)	-
Transfer to legal reserve	-	2,759,095	-	-	-	(2,759,095)	-
Transfer to regular reserve	-	-	2,759,095	-	-	(2,759,095)	-
Directors' remuneration	-	-	-	-	-	(621,670)	(621,670)
Dividends paid	-	-	-	-	-	(11,250,000)	(11,250,000)
Transactions with owners	25,000,000	2,759,095	2,759,095	-	-	(42,389,860)	(11,871,670)
Net income for the period	-	-	-	-	-	27,590,947	27,590,947
Other comprehensive income:							
Available-for-sale financial assets - current period loss	-	-	-	-	(1,291,645)	-	(1,291,645)
Total comprehensive income for the period	-	-	-	-	(1,291,645)	27,590,947	26,299,302
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	-	1,287,912	-	-	-	(1,287,912)	-
Transfer to regular reserve	-	-	1,287,912	-	-	(1,287,912)	-
Transactions with owners	-	1,287,912	1,287,912	-	-	(2,575,824)	-
Net profit for the period	-	-	-	-	-	12,879,121	12,879,121
Other comprehensive income:							
Available-for-sale financial assets - current period gain	-	-	-	-	1,157,134	-	1,157,134
Total comprehensive income for the period	-	-	-	-	1,157,134	12,879,121	14,036,255
As at March 31, 2011 (Un-audited)	100,000,000	45,367,631	35,778,431	100,000,000	(20,112,980)	54,068,833	315,101,915

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

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of cash flows
for the period ended March 31, 2011 (Un-audited)

	(Un-audited) Three months ended March 31, 2011 AED	(Un-audited) Three months ended March 31, 2010 AED
Operating activities		
Net income for the period	12,879,121	17,512,602
Adjustments for:		
Increase in Life fund (long term business)	9,285,430	9,568,166
Decrease in provision for insurance contract liabilities	2,446,159	1,783,734
Depreciation on property and equipment	63,305	93,056
Profit on sale of property and equipment	-	(15,999)
Provision for employees' end of service benefits	64,574	373,015
	24,738,589	29,314,574
Changes in working capital		
Increase in insurance and other receivables	(8,202,825)	(7,432,129)
Increase in reinsurance contract assets	(2,767,473)	(182,173)
Increase / (decrease) in insurance and other payables	7,882,950	(83,224)
Decrease in due to other insurers and reinsurers	(1,836,524)	(3,503,951)
	19,814,717	18,113,097
Employees' end of service benefits paid	(124,791)	(282,722)
Net cash provided by operating activities	19,689,926	17,830,375
Investing activities		
Increase in investments and deposits - held to maturity	(15,590,008)	(16,564,083)
Net increase in loans to policyholders	(1,350,082)	(596,539)
Purchase of fixed assets	-	(87,500)
Proceeds from disposal of property and equipment	-	15,999
Net cash used in investing activities	(16,940,090)	(17,232,123)
Net increase in cash and cash equivalents	2,749,836	598,252
Cash and cash equivalents as at January 1	11,387,604	12,752,921
Cash and cash equivalents as at March 31	14,137,440	13,351,173

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

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. IAS 24 – Related party disclosures
2. IFRIC 14 – Prepayments of a minimum funding requirement
3. IAS 1(Amended) – Presentation of financial statements
4. IAS 34 (Amended) – Interim financial reporting
5. IFRS 7 (Amended) – Financial instruments: disclosures
6. IFRIC 13 (Amended) – Customer loyalty programmes

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 March 31, 2011.

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated April 16, 2011, they assessed a net surplus of AED 3,555,575 in the life insurance fund as at March 31, 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 4,245,662 as at March 31, 2011 (March 31, 2010: AED 6,862,365).

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.

5 Segment analysis (continued)

	(Un-audited) Three months ended March 31, 2011 AED			(Un-audited) Three months ended March 31, 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	3,425,032	5,237,676	8,662,708	10,437,827	3,057,999	13,495,826	11,431,530	11,764,219	23,195,749
Interest income on deposits	6,314,474	2,210,390	8,524,864	6,457,227	2,072,221	8,529,448	25,258,928	8,557,706	33,816,634
Income from investment property (net)	2,109,843	1,186,814	3,296,657	2,242,299	1,344,311	3,586,610	6,292,602	4,246,588	10,539,190
Profit from investment activities	857,139	475,738	1,332,877	709,441	439,052	1,148,493	2,922,664	647,642	3,570,306
Other income	134,518	212,928	347,446	126,212	194,179	320,391	2,631,305	941,965	3,573,270
	12,841,006	9,323,546	22,164,552	19,973,006	7,107,762	27,080,768	48,537,029	26,158,120	74,695,149
Surplus transferred to policyholders' fund	(9,285,431)	-	(9,285,431)	(9,568,166)	-	(9,568,166)	(29,591,600)	-	(29,591,600)
Net surplus (Life) / net income (General)	3,555,575	9,323,546	12,879,121	10,404,840	7,107,762	17,512,602	18,945,429	26,158,120	45,103,549
Segment assets	645,739,196	317,939,901	963,679,097	622,741,398	312,789,133	935,530,531	587,710,675	344,214,368	931,925,043
Segment liabilities	580,166,146	68,411,036	648,577,182	555,345,041	93,547,462	648,892,503	569,386,929	61,472,454	630,859,383

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 effect 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 11,591,811 as at March 31, 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 1,168,000 (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.