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ALLIANCE INSURANCE (PSC)

DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Index to interim condensed financial information (un-audited) for the period ended March 31, 2012

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REVIEW REPORT TO THE SHAREHOLDERS OF
ALLIANCE INSURANCE (PSC)

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Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alliance Insurance (PSC) as at March 31, 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 three-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
08 May 2012

ALLIANCE INSURANCE (PSC)
Dubai - United Arab Emirates

Interim condensed statement of financial position
as at March 31, 2012 (Un-audited)

	Notes	(Un-audited) March 31, 2012 AED	(Audited) December 31, 2011 AED
Assets			
Non-current			
Investment property		181,244,600	181,244,600
Financial assets - deposits	4	110,233,500	109,131,389
Statutory deposit		10,000,000	10,000,000
Policyholders' loans		48,817,648	47,460,908
Property and equipment		2,978,706	2,842,251
Non-current assets		353,274,454	350,679,148
Current			
Financial assets - deposits	4	552,510,231	538,288,738
Financial assets - equities and funds	4	21,423,890	17,032,761
Insurance and other receivables		48,636,481	39,377,587
Reinsurance contract assets		13,660,881	14,697,496
Cash and cash equivalents		15,123,106	12,090,249
Current assets		651,354,589	621,486,831
Total assets		1,004,629,043	972,165,979
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Legal reserve		49,570,406	48,240,824
Regular reserve		39,981,206	38,651,624
General reserve		140,000,000	120,000,000
Fair value reserve		(21,123,452)	(25,514,581)
Retained earnings		32,125,263	41,488,604
Total equity		340,553,423	322,866,471
Liabilities			
Non-current			
Employees' end of service benefits		4,497,368	4,990,921
Policyholders' funds	5	548,714,787	540,527,641
Non-current liabilities		553,212,155	545,518,562
Current			
Insurance contract liabilities		34,642,862	35,590,738
Insurance and other payables		38,646,801	38,147,572
Due to other insurers and reinsurers		37,573,802	30,042,636
Current liabilities		110,863,465	103,780,946
Total liabilities		664,075,620	649,299,508
Total equity and liabilities		1,004,629,043	972,165,979

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

The notes 1 to 8 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 March 31, 2012 (Un-audited)

	(Un-audited) Three months ended March 31, 2012 AED	(Un-audited) Three months ended March 31, 2011 AED
Net underwriting income - General	3,927,307	5,237,676
Interest income on deposits - General	1,999,749	2,210,390
Income from investment property (net)	1,139,352	1,186,814
Profit from investment activities	366,063	475,738
Other income	304,205	212,928
Income from general insurance business	7,736,676	9,323,546
Surplus transferred from long-term business (life) account	5,559,147	3,555,575
Net income for the period	13,295,823	12,879,121
Earnings per share based on net income - basic and diluted	13.30	12.88
Other comprehensive income		
Unealised loss on financial assets at fair value through other comprehensive income	4,391,129	1,157,134
Total comprehensive income for the period	17,686,952	14,036,255
Earnings per share based on total comprehensive income - basic and diluted	17.69	14.04

The notes 1 to 8 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 March 31, 2012 (Un-audited)

	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	-	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 income for the period	-	-	-	-	-	12,879,121	12,879,121
Other comprehensive income:							
Net unrealized gain on investments	-	-	-	-	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
Issuance of bonus shares							
Transfer to legal reserve	-	2,873,193	-	-	-	(2,873,193)	-
Transfer to regular reserve	-	-	2,873,193	-	-	(2,873,193)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Directors' remuneration	-	-	-	-	-	(565,776)	(565,776)
Dividends paid	-	-	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners	-	2,873,193	2,873,193	20,000,000	-	(41,312,162)	(15,565,776)
Net income for the period	-	-	-	-	-	28,731,933	28,731,933
Other comprehensive income:							
Net unrealized loss on investments	-	-	-	-	(5,401,601)	-	(5,401,601)
Total comprehensive income for the period	-	-	-	-	(5,401,601)	28,731,933	23,330,332
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	-	1,329,582	-	-	-	(1,329,582)	-
Transfer to regular reserve	-	-	1,329,582	-	-	(1,329,582)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Transactions with owners	-	1,329,582	1,329,582	20,000,000	-	(22,659,164)	-
Net income for the period	-	-	-	-	-	13,295,823	13,295,823
Other comprehensive income:							
Net unrealized gain on investments	-	-	-	-	4,391,129	-	4,391,129
Total comprehensive income for the period	-	-	-	-	4,391,129	13,295,823	17,686,952
As at March 31, 2012 (Un-audited)	100,000,000	49,570,406	39,981,206	140,000,000	(21,123,452)	32,125,263	340,553,423

The notes 1 to 8 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 March 31, 2012 (Un-audited)

	(Un-audited) Three months ended March 31, 2012 AED	(Un-audited) Three months ended March 31, 2011 AED
Operating activities		
Net income for the period	13,295,823	12,879,121
Adjustments for:		
Increase in Life fund (long term business)	8,187,146	9,285,430
(Decrease) / increase in provision for insurance contract liabilit	(947,876)	2,446,159
Provision for employees' end of service benefits	106,623	64,574
Depreciation on property and equipment	69,094	63,305
	20,710,810	24,738,589
Changes in working capital		
Increase in insurance and other receivables	(9,258,894)	(8,202,825)
Decrease / (increase) in reinsurance contract assets	1,036,615	(2,767,473)
Decrease in insurance and other payables	499,229	7,882,950
Decrease / (increase) in due to other insurers and reinsurers	7,531,166	(1,836,524)
	20,518,926	19,814,717
Employees' end of service benefits paid	(600,176)	(124,791)
Cash from operating activities	19,918,750	19,689,926
Investing activities		
Increase in financial assets at amortized cost	(15,323,604)	(15,590,008)
Net increase in loans to policyholders	(1,356,740)	(1,350,082)
Purchase of property and equipment	(205,549)	-
Cash used in investing activities	(16,885,893)	(16,940,090)
Net increase in cash and cash equivalents	3,032,857	2,749,836
Cash and cash equivalents as at January 1	12,090,249	11,387,604
Cash and cash equivalents as at March 31	15,123,106	14,137,440

The notes 1 to 8 form an integral part of this 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, 2011.

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 24 – Related party disclosure
2. Annual Improvements 2010
    a. IFRS 7 – Financial Instruments: Disclosure
    b. IAS 1 – Presentation of financial statements
    c. IAS 34 – Interim Financial reporting

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. Financial assets

	(Un-audited) March 31, 2012 AED	(Audited) December 31, 2011 AED
Financial assets - deposits		
Short-term deposits – local	540,010,314	527,271,865
Long-term deposits – local	109,000,000	109,000,000
Accrued interest	13,733,417	11,148,262
	662,743,731	647,420,127
Financial assets – equities and funds		
Quoted equity		
Equities and funds – local	8,479,927	8,479,927
Fair value adjustment	2,344,440	640,590
	10,824,367	9,120,517
Equities and funds – foreign	14,927,648	14,927,648
Fair value adjustment	(4,328,125)	(7,015,404)
	10,599,523	7,912,244
	21,423,890	17,032,761

Short term deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.5% to 5.00% 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 4,391,129 (December 31, 2011: decrease of AED 4,244,467) which has been carried to the fair value reserve in equity.

5. 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, 2012.

The Company's consulting actuaries during the period were M/s. Nauman Associates. In their report dated April 18, 2012, they assessed a surplus of AED 5,559,147 in the life insurance fund as at March 31, 2012 (December 31, 2011: AED 16,080,672).

6. 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) Three months ended March 31, 2012 AED			(Un-audited) Three months ended March 31, 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	5,839,146	3,927,307	9,766,453	3,425,032	5,237,676	8,662,708	8,860,305	10,374,724	19,235,029
Interest income on deposits	2,133,951	1,999,749	4,133,700	6,314,474	2,210,390	8,524,864	24,173,827	8,930,983	33,104,810
Income from investment property (net)	779,581	1,139,352	1,918,933	2,109,843	1,186,814	3,296,657	6,842,884	3,358,658	10,201,542
Profit from investment activities	4,911,731	366,063	5,277,794	857,139	475,738	1,332,877	2,904,521	672,962	3,577,483
Other income	81,884	304,205	386,089	134,518	212,928	347,446	3,851,018	2,193,055	6,044,073
	13,746,293	7,736,676	21,482,969	12,841,006	9,323,546	22,164,552	46,632,555	25,530,382	72,162,937
Surplus transferred to policyholders' fund	(8,187,146)	-	(8,187,146)	(9,285,431)	-	(9,285,431)	(30,551,883)	-	(30,551,883)
Net surplus (Life) / net income (General)	5,559,147	7,736,676	13,295,823	3,555,575	9,323,546	12,879,121	16,080,672	25,530,382	41,611,054
Segment assets	665,522,339	339,106,704	1,004,629,043	645,739,196	317,939,901	963,679,097	603,675,925	368,490,054	972,165,979
Segment liabilities	600,614,359	63,461,261	664,075,620	580,166,146	68,411,036	648,577,182	587,595,254	61,704,254	649,299,508

7. 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.

8. 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 11,387,522 as at March 31, 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 1,121,000 (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.