

Alliance Insurance (PSC)

Condensed Interim Financial Statements (Unaudited)
For the period ended 30 September 2017

Alliance Insurance (PSC)

**Condensed interim financial statements (Unaudited)
For the period ended 30 September 2017**

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Review report of the independent auditor To the shareholders of Alliance Insurance (PSC)

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Introduction

We have reviewed the accompanying condensed interim financial statements of Alliance Insurance (PSC) (the "Company") which comprise the condensed interim statement of financial position of the Company as at 30 September 2017, and the condensed interim income statement of the Company, condensed interim statement of comprehensive income of the Company, condensed interim statement of changes in equity of the Company and condensed interim statement of cash flows of the Company for the nine month period then ended, supplementary condensed interim statement of financial position for insurance of persons and fund accumulation operations as at 30 September 2017, supplementary condensed interim income statement for insurance of persons and fund accumulation operations for the nine month period then ended, supplementary condensed interim statement of financial position for property and liability insurance as at 30 September 2017, supplementary condensed interim income statement for property and liability insurance for the nine month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim 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 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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".


Grant Thornton

Farouk Mohamed
Registration No. 86
Dubai, 24 October 2017



Alliance Insurance (PSC)

Condensed interim statement of financial position of the Company (Unaudited) At 30 September 2017

	Notes	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Assets			
Property and equipment		6,306,214	5,473,025
Investments at amortised cost	5	164,553,136	127,546,274
Investments carried at fair value through other comprehensive income	6	8,280,287	8,132,287
Investment property	7	193,624,687	193,624,687
Statutory deposits		10,000,000	10,000,000
Loans guaranteed by life insurance policies		44,389,777	40,471,359
Premiums and insurance balances receivable	8	49,709,317	56,321,662
Reinsurers' share of technical reserves		128,472,153	136,522,543
Other receivables and prepayments	9	22,606,850	14,521,674
Deposits	10	672,930,023	724,245,377
Cash and cash equivalents		19,239,706	17,316,783
Total assets		1,320,112,150	1,334,175,671
Shareholders' equity and liabilities			
Equity attributable to shareholders			
Issued and paid up share capital		100,000,000	100,000,000
Retained earnings		42,174,710	40,576,864
Statutory reserve		70,466,568	70,466,568
Regular reserve		60,877,368	60,877,368
General reserve		200,000,000	190,000,000
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(2,483,278)	(2,673,629)
Total shareholders' equity		471,035,368	459,247,171
Liabilities			
Retirement benefits obligation		5,090,874	4,642,096
Accounts payable	11	46,578,741	37,257,261
		51,669,615	41,899,357
Insurance liabilities			
Insurance contract liabilities		48,266,238	67,575,717
Premium collected in advance		7,750,743	9,054,494
		56,016,981	76,630,211
Technical provisions			
Unearned premium reserve		70,121,996	54,534,407
Deferred reinsurance commission reserve – net		169,932	903,547
Claims under settlement reserve		85,030,542	98,049,707
Incurred but not reported reserve		6,153,178	5,666,201
Unallocated loss adjustment expense reserve		234,578	209,322
Mathematical reserve		579,679,960	597,035,748
Total technical provisions		741,390,186	756,398,932
Total liabilities		849,076,782	874,928,500
Total shareholders' equity and liabilities		1,320,112,150	1,334,175,671

These condensed interim financial statements have been signed on behalf of the Company on 24 Oct 2017 by:

Sheikh Ahmed Bin Saeed Al Maktoum
Chairman

Saeed Mohammed Ali Kamda
Vice-Chairman

Aimen Saba Azara
Director and General Manager

The accompanying supplementary statements and notes 1 to 17 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)

Condensed interim income statement of the Company (Unaudited) For the period ended 30 September 2017

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Gross premiums	57,084,625	50,559,771	212,351,945	234,309,842
Reinsurance share of gross premiums	(24,485,139)	(21,373,818)	(101,716,203)	(135,942,889)
Net premiums	32,599,486	29,185,953	110,635,742	98,366,953
Net transfer to unearned premium Reserve	1,046,086	2,126,771	(9,564,645)	(6,085,110)
Net premiums earned	33,645,572	31,312,724	101,071,097	92,281,843
Commissions received	2,091,849	1,900,568	8,897,664	10,303,846
Commissions paid	(3,216,622)	(2,944,441)	(10,937,763)	(9,599,598)
Movement in deferred reinsurance commission reserves – net	487,338	322,943	733,616	2,289,395
Gross underwriting income	33,008,137	30,591,794	99,764,614	95,275,486
Gross claims paid	(12,060,890)	(7,652,266)	(26,617,544)	(29,600,752)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	7,034,779	4,983,371	15,961,117	19,078,869
Net claims paid	(5,026,111)	(2,668,895)	(10,656,427)	(10,521,883)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	613,485	(73,727)	(1,566,403)	1,710,509
Earnings and cancellations of life insurance policies	(15,944,383)	(16,381,683)	(63,570,480)	(52,941,355)
Decrease/(increase) in mathematical Reserves	900,955	(2,561,969)	17,355,788	(9,605,970)
Net claims incurred	(19,456,054)	(21,686,274)	(58,437,522)	(71,358,699)
Net underwriting income	13,552,083	8,905,520	41,327,092	23,916,787
Income from investments	9,975,647	9,866,670	29,924,349	29,784,308
Income from investment property-net	3,362,445	3,514,638	10,867,658	11,211,725
Foreign currency exchange gain	87,322	97,200	277,806	328,125
Other gain	568,444	702,839	1,958,758	2,045,884
Total income	27,545,941	23,086,867	84,355,663	67,286,829
General and administrative expenses	(5,786,826)	(5,607,630)	(18,569,302)	(17,022,694)
Bonuses and rebates-net of reinsurance	(7,975,050)	(4,889,351)	(26,888,029)	(15,368,169)
Other operating expenses	(752,840)	(592,165)	(2,346,972)	(1,828,866)
Net profit for the period	13,031,225	11,997,721	36,551,360	33,067,100
Earnings per share:				
Basic and diluted (Note 12)	13.03	12.00	36.55	33.07

The accompanying supplementary statements and notes 1 to 17 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)

Condensed interim statement of comprehensive income of the Company (Unaudited) For the period ended 30 September 2017

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Net profit for the period	13,031,225	11,997,721	36,551,360	33,067,100
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net unrealised gain on investments carried at fair value through other comprehensive income	856,582	101,974	190,351	169,957
Net realised gain on investments at fair value through other comprehensive income	-	-	46,486	-
Total comprehensive income for the period	13,887,807	12,099,695	36,788,197	33,237,057

The accompanying supplementary statements and notes 1 to 17 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)

**Condensed interim statement of changes in equity of the Company (Unaudited)
For the period ended 30 September 2017**

	Issued and paid up share capital AED	Retained earnings AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative changes in fair value of investments carried at fair value through other comprehensive income AED	Shareholders' equity AED
At 31 December 2016 (Audited)	100,000,000	40,576,864	70,466,568	60,877,368	190,000,000	(2,673,629)	459,247,171
Net profit for the period	-	36,551,360	-	-	-	-	36,551,360
Net realised gain on investments carried at fair value through other comprehensive income	-	46,486	-	-	-	-	46,486
Net unrealised gain on investments carried at fair value through other comprehensive income	-	-	-	-	-	190,351	190,351
Total comprehensive income for the period	-	36,597,846	-	-	-	190,351	36,788,197
Dividend paid (Note 16)	-	(25,000,000)	-	-	-	-	(25,000,000)
Transfer to general reserve	-	(10,000,000)	-	-	10,000,000	-	-
At 30 September 2017 (Unaudited)	100,000,000	42,174,710	70,466,568	60,877,368	200,000,000	(2,483,278)	471,035,368
At 31 December 2015 (Audited)	100,000,000	40,737,104	65,956,182	56,366,982	180,000,000	(3,897,317)	439,162,951
Net profit for the period	-	33,067,100	-	-	-	-	33,067,100
Net unrealised gain from investments carried at fair value through other comprehensive income	-	-	-	-	-	169,957	169,957
Total comprehensive income for the period	-	33,067,100	-	-	-	169,957	33,237,057
Dividend paid (Note 16)	-	(25,000,000)	-	-	-	-	(25,000,000)
Transfer to general reserve	-	(10,000,000)	-	-	10,000,000	-	-
At 30 September 2016 (Unaudited)	100,000,000	38,804,204	65,956,182	56,366,982	190,000,000	(3,727,360)	447,400,008

The accompanying supplementary statements and notes 1 to 17 form an integral part of these condensed interim financial statements

Alliance Insurance (PSC)

Condensed interim statement of cash flows of the Company (Unaudited) For the period ended 30 September 2017

	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Cash flows from operating activities		
Net profit for the period	36,551,360	33,067,100
<i>Adjustments:</i>		
Depreciation	492,734	392,725
Gain on disposal of property and equipment	(5,000)	(16,700)
Interest income from deposits	(20,305,518)	(21,273,782)
Gain from investments at amortised cost	(6,931,542)	(5,746,596)
(Decrease)/increase in mathematical reserve	(17,355,788)	9,605,970
Dividend income	(407,896)	(407,896)
Interest on loans guaranteed by life insurance policies	(2,279,393)	(2,356,034)
Income from investment property – net	(10,867,658)	(11,211,725)
Provision for retirement benefit obligation	553,308	449,366
	<u>(20,555,393)</u>	<u>2,502,428</u>
<i>Changes in operating assets and liabilities:</i>		
Decrease/(increase) in premiums, insurance balances and other receivables	5,253,689	(286,459)
Decrease/(increase) in reinsurance share of technical reserves	8,050,390	(72,732,010)
Increase in technical reserves	2,347,042	74,817,214
Decrease in accounts payable, insurance contract liabilities and premium collected in advance	<u>(19,352,697)</u>	<u>(9,658,348)</u>
Cash used in operations	<u>(24,256,969)</u>	<u>(5,357,175)</u>
Retirement benefit obligation paid	<u>(104,530)</u>	<u>(70,834)</u>
Net cash used in operating activities	<u>(24,361,499)</u>	<u>(5,428,009)</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,325,923)	(368,398)
Proceeds from sale of property and equipment	5,000	16,700
Purchases of investments at amortised cost	(36,794,794)	-
Income received on deposits	15,870,872	16,308,650
Income received from investments at amortised cost	6,719,474	5,908,078
Deposits encashed/(made) during the period	55,750,000	(2,925,575)
Income received from investment property	12,202,086	12,519,527
Proceeds from sale of investments at fair value through other comprehensive income	88,836	-
Net (increase)/decrease in loans guaranteed by life insurance policies	(1,639,025)	791,347
Dividend received	407,896	407,896
Net cash generated from investing activities	<u>51,284,422</u>	<u>32,658,225</u>
Cash flows from financing activities		
Dividends paid	<u>(25,000,000)</u>	<u>(25,000,000)</u>
Net cash used in financing activities	<u>(25,000,000)</u>	<u>(25,000,000)</u>
Net increase in cash and cash equivalents	1,922,923	2,230,216
Cash and cash equivalents at beginning of period	17,316,783	24,155,062
Cash and cash equivalents at end of the period	<u>19,239,706</u>	<u>26,385,278</u>

The accompanying supplementary statements and notes 1 to 17 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)

Supplementary condensed interim statement of financial position for insurance of persons and fund accumulation operations (Unaudited) At 30 September 2017

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Assets		
Property and equipment	3,735,869	2,709,471
Investments at amortised cost	112,529,384	86,620,477
Investments carried at fair value through other comprehensive income	-	21,175
Investment property	112,647,151	112,647,151
Statutory deposits	2,000,000	2,000,000
Loans guaranteed by life insurance policies	44,389,777	40,471,359
Premiums and insurance balances receivable	255,277	329,274
Reinsurers' share of technical reserves	2,571,811	2,412,313
Other receivables and prepayments	8,199,386	3,483,306
Deposits	422,120,036	471,564,224
Cash and cash equivalents	4,652,052	6,472,378
Total assets	713,100,743	728,731,128
Shareholders' equity and liabilities		
Equity attributable to shareholders*	-	-
Liabilities		
Retirement benefits obligation	2,903,606	2,671,618
Accounts payable	14,277,496	10,921,771
	17,181,102	13,593,389
Insurance liabilities		
Insurance contract liabilities	14,952,655	25,695,894
Premiums received in advance	7,750,743	9,054,494
Inter-division balance	88,114,551	78,348,161
	110,817,949	113,098,549
Technical provisions		
Unearned premium reserve	1,293,284	1,976,356
Deferred reinsurance commission reserve – net	(127,227)	(134,634)
Claims under settlement reserve	4,101,926	3,077,943
Incurred but not reported reserve	137,867	78,466
Unallocated loss adjustment expense reserve	15,882	5,311
Mathematical reserve	579,679,960	597,035,748
Total technical provisions	585,101,692	602,039,190
Total liabilities	713,100,743	728,731,128
Total shareholders' equity and liabilities	713,100,743	728,731,128

* Management elected to present the shareholders equity in the condensed interim statement of financial position for property and liability insurance.

Alliance Insurance (PSC)

Supplementary condensed interim income statement for insurance of persons and fund accumulation operations (Unaudited) For the period ended 30 September 2017

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Gross premiums	24,245,977	25,427,470	76,262,751	78,929,355
Reinsurance share of gross premiums	(922,981)	(1,085,432)	(2,827,932)	(3,265,134)
Net premiums	23,322,996	24,342,038	73,434,819	75,664,221
Net transfer to unearned premium Reserve	108,722	(16,727)	239,279	(197,689)
Net premiums earned	23,431,718	24,325,311	73,674,098	75,466,532
Commissions received	42,475	(611)	1,007,587	1,442,398
Commissions paid	(2,231,558)	(2,290,388)	(6,945,464)	(7,000,175)
Movement in deferred acquisition cost	(8,955)	(12,600)	(7,407)	(23,504)
Gross underwriting income	21,233,680	22,021,712	67,728,814	69,885,251
Gross claims paid	(2,302,290)	(1,198,501)	(2,897,518)	(2,925,424)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	1,139,952	763,217	1,394,691	1,957,669
Net claims paid	(1,162,338)	(435,284)	(1,502,827)	(967,755)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	1,055,766	250,429	(490,664)	350,858
Earnings and cancellations of life insurance policies	(15,944,383)	(16,381,683)	(63,570,480)	(52,941,355)
Decrease/(increase) in mathematical reserve	900,955	(2,561,969)	17,355,788	(9,605,970)
Net claims incurred	(15,150,000)	(19,128,507)	(48,208,183)	(63,164,222)
Net underwriting income	6,083,680	2,893,205	19,520,631	6,721,029
Income from investments	6,808,264	6,906,140	19,935,998	20,408,715
Income from investment property – net	2,200,026	2,244,170	6,942,121	7,047,899
Foreign currency exchange gain	101,849	80,376	304,146	271,669
Other gain	68,140	66,837	175,649	142,479
Total income	15,261,959	12,190,728	46,878,545	34,591,791
General and administrative expenses	(2,155,401)	(2,156,410)	(6,979,891)	(6,384,620)
Bonuses and rebates net of reinsurance	(7,975,050)	(4,889,351)	(26,888,029)	(15,368,169)
Other operating expenses	(96,743)	(92,863)	(277,463)	(283,251)
Net profit for the period	5,034,765	5,052,104	12,733,162	12,555,751

Alliance Insurance (PSC)

Supplementary condensed interim statement of financial position for property and liability insurance (Unaudited) At 30 September 2017

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Assets		
Property and equipment	2,570,345	2,763,554
Investments at amortised cost	52,023,752	40,925,797
Investments carried at fair value through other comprehensive income	8,280,287	8,111,112
Investments property	80,977,536	80,977,536
Statutory deposits	8,000,000	8,000,000
Premiums and insurance balances receivable	49,454,040	55,992,388
Reinsurers' share of technical reserves	125,900,342	134,110,230
Other receivables and prepayments	14,407,464	11,038,368
Deposits	250,809,987	252,681,153
Cash and cash equivalents	14,587,654	10,844,405
Inter-division balance	88,114,551	78,348,161
Total assets	695,125,958	683,792,704
Shareholders' equity and liabilities		
Equity attributable to shareholders		
Issued and paid up share capital	100,000,000	100,000,000
Retained earnings	42,174,710	40,576,864
Statutory reserve	70,466,568	70,466,568
Regular reserve	60,877,368	60,877,368
General reserve	200,000,000	190,000,000
Cumulative changes in fair value of investments carried at fair value through other comprehensive income	(2,483,278)	(2,673,629)
Total shareholders' equity	471,035,368	459,247,171
Liabilities		
Retirement benefit obligation	2,187,268	1,970,478
Accounts payable	32,301,245	26,335,490
	34,488,513	28,305,968
Insurance liabilities		
Insurance contract liabilities	33,313,583	41,879,823
Technical provisions		
Unearned premium reserve	68,828,712	52,558,051
Deferred reinsurance commission reserve - net	297,159	1,038,181
Claims under settlement reserve	80,928,616	94,971,764
Incurred but not reported reserve	6,015,311	5,587,735
Unallocated loss adjustment expense reserve	218,696	204,011
Total technical provisions	156,288,494	154,359,742
Total liabilities	224,090,590	224,545,533
Total shareholders' equity and liabilities	695,125,958	683,792,704

Alliance Insurance (PSC)

Supplementary condensed interim income statement for property and liability insurance (Unaudited) For the period ended 30 September 2017

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Gross premiums	32,838,648	25,132,301	136,089,194	155,380,487
Reinsurance share of gross premiums	(23,562,158)	(20,288,386)	(98,888,271)	(132,677,755)
Net premiums	9,276,490	4,843,915	37,200,923	22,702,732
Net transfer to unearned premium reserve	937,364	2,143,498	(9,803,924)	(5,887,421)
Net premiums earned	10,213,854	6,987,413	27,396,999	16,815,311
Commissions received	2,049,374	1,901,179	7,890,077	8,861,448
Commissions paid	(985,064)	(654,053)	(3,992,299)	(2,599,423)
Movement in deferred reinsurance commission reserve - net	496,293	335,543	741,023	2,312,899
Gross underwriting income	11,774,457	8,570,082	32,035,800	25,390,235
Gross claims paid	(9,758,600)	(6,453,765)	(23,720,026)	(26,675,328)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	5,894,827	4,220,154	14,566,426	17,121,200
Net claims paid	(3,863,773)	(2,233,611)	(9,153,600)	(9,554,128)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	(442,281)	(324,156)	(1,075,739)	1,359,651
Net claims incurred	(4,306,054)	(2,557,767)	(10,229,339)	(8,194,477)
Net underwriting income	7,468,403	6,012,315	21,806,461	17,195,758
Income from investments	3,167,383	2,960,530	9,988,351	9,375,593
Income from investment property - net	1,162,419	1,270,468	3,925,537	4,163,826
Foreign currency exchange (loss)/gain	(14,527)	16,824	(26,340)	56,456
Other gain	500,304	636,002	1,783,109	1,903,405
Total income	12,283,982	10,896,139	37,477,118	32,695,038
General and administrative expenses	(3,631,425)	(3,451,220)	(11,589,411)	(10,638,074)
Other operating expenses	(656,097)	(499,302)	(2,069,509)	(1,545,615)
Net profit for the period	7,996,460	6,945,617	23,818,198	20,511,349

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited)

For the period ended 30 September 2017

1 Legal status and activities

Alliance Insurance (PSC) ("the Company") is a Public Shareholding Company ("PSC") which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company was converted to a PSC in January 1995, in accordance with the United Arab Emirates (UAE) Federal Commercial Companies Law No. (8) of 1984 (now superseded by UAE Federal Law No. 2 of 2015). The Company's shares are listed on the Dubai Financial Market.

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 General information and basis of preparation

These condensed interim financial statements are for the nine month period ended 30 September 2017 and are presented in United Arab Emirate Dirham (AED), which is the functional currency of the Company. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the annual financial statements for the year ended 31 December 2016. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Where applicable, these condensed interim financial statements have been presented as per Financial Regulations for Insurance Companies – Annexure I.

3 Summary of significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2016. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended 31 December 2016, are applicable on the Company but do not have any material impact on these condensed interim financial statements. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

4 Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The judgements, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's most recent annual financial statements for the year ended 31 December 2016.

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited) For the period ended 30 September 2017

5 Investments at amortised cost

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Quoted bonds	97,957,008	61,032,756
Unquoted bonds in the UAE	66,596,128	66,513,518
	<u>164,553,136</u>	<u>127,546,274</u>

The bonds carry interest at the rates ranging from 5.00% to 7.25% per annum and interest is receivable semi-annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instruments' lives. The fair value of these quoted bonds at 30 September 2017 is AED 99.23 million (31 December 2016: AED 63 million).

6 Investments carried at fair value through other comprehensive income

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
<i>Equity securities in the UAE market:</i>		
Quoted	8,280,287	8,089,937
Unquoted	-	42,350
	<u>8,280,287</u>	<u>8,132,287</u>

Equity securities quoted have been classified as Level 1 in fair value hierarchy as at 30 September 2017 (31 December 2016: Level 1). Unquoted equity securities had been classified as Level 3 in fair value hierarchy as at 31 December 2016.

7 Investment property

Investment property comprises two commercial buildings in Dubai, UAE.

Management estimates that there has been no change in the fair value of investment property. Investment property is classified as Level 3 in the fair value hierarchy as at 30 September 2017 (31 December 2016: Level 3).

8 Premium and insurance balances receivable

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Due from policyholders	47,350,555	53,252,203
Less: Allowance for doubtful debts	(1,344,528)	(1,346,513)
	<u>46,006,027</u>	<u>51,905,690</u>
Due from insurance or reinsurance companies	2,569,794	2,578,716
Due from brokers or agents	1,133,496	1,837,256
	<u>49,709,317</u>	<u>56,321,662</u>

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited)
For the period ended 30 September 2017

8 Premium and insurance balances receivable (continued)

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Inside UAE:		
Due from policy holders	47,350,555	53,252,203
Less: Allowances for doubtful debts	(1,344,528)	(1,346,513)
	<u>46,006,027</u>	<u>51,905,690</u>
Due from insurance or reinsurance companies	2,497,605	2,135,238
Due from brokers or agents	1,133,496	1,837,256
	<u>49,637,128</u>	<u>55,878,184</u>
Outside UAE:		
Due from insurance or reinsurance companies	<u>72,189</u>	<u>443,478</u>

9 Other receivables and prepayments

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Receivable from employees	740,608	624,085
Refundable deposits	163,005	174,691
Prepayments	2,218,179	2,859,942
Others	19,784,968	11,162,866
Less: Allowance for doubtful debts	(299,910)	(299,910)
	<u>22,606,850</u>	<u>14,521,674</u>

10 Deposits

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Short term deposits with banks in the UAE	315,550,000	430,450,000
Accrued interest	4,795,893	8,031,314
Total short term deposits	<u>320,345,893</u>	<u>438,481,314</u>
Long term deposits with banks in the UAE	343,505,000	284,355,000
Accrued interest	9,079,130	1,409,063
Total long term deposits	<u>352,584,130</u>	<u>285,764,063</u>
Total deposits	<u>672,930,023</u>	<u>724,245,377</u>

Deposits comprise fixed deposits with banks bearing annual interest at rates ranging from 1.00% to 5.25% (31 December 2016: 1.00% to 5.25%).

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited)
For the period ended 30 September 2017

11 Accounts payable

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Payables inside UAE	27,450,232	24,520,280
Payables outside UAE	19,128,509	12,736,981
	<u>46,578,741</u>	<u>37,257,261</u>
	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Inside UAE:		
<i>Accounts payable to:</i>		
Insurance companies	1,939,620	1,775,625
Insurance brokers	5,490,284	5,676,419
Other payables	20,020,328	17,068,236
	<u>27,450,232</u>	<u>24,520,280</u>
Outside UAE:		
<i>Accounts payable to:</i>		
Reinsurance companies	<u>19,128,509</u>	<u>12,736,981</u>

12 Basic and diluted earnings per share

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Net profit for the period (AED)	<u>13,031,225</u>	<u>11,997,721</u>	<u>36,551,360</u>	<u>33,067,100</u>
Weighted average number of ordinary shares for the purpose of earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted earnings per share (AED)	<u>13.03</u>	<u>12.00</u>	<u>36.55</u>	<u>33.07</u>

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equal basic earnings per share.

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited) For the period ended 30 September 2017

13 Segment analysis

For management purposes, the Company is organised into two business segments, property and liability insurance (general insurance) and insurance of persons and fund accumulation operations (life assurance). The general insurance segment comprises motor, marine, fire, engineering, medical, and general accident. The life assurance segment includes only long term life and group life. These segments are the basis on which the Company reports its primary segment information. Segment-wise information is disclosed in supplementary statements.

14 Related parties

Related parties include the Company's major shareholders, directors and companies over which they exercise significant management influence as well as key management personnel.

Balances with related parties

At the end of the reporting period, amounts due from/to related parties are as follows:

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
<i>Due from related parties:</i>		
Due from companies, shareholders and directors	552,265	756,639

The above balances are included in premiums and insurance balances receivable.

Transactions with related parties

During the period, the Company entered into the following transactions with related parties:

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Premiums	299,621	701,419	2,721,076	3,028,823
Claims paid	148,656	746,681	352,102	1,034,757

Transactions are entered with related parties at rates agreed with management.

Compensation of key management personnel

	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2016 AED
Key management personnel remuneration including benefits	370,905	370,980	1,108,604	1,106,394

Alliance Insurance (PSC)

Notes to the condensed interim financial statements (Unaudited)
For the period ended 30 September 2017

15 Contingences and commitments

	(Unaudited) 30 September 2017 AED	(Audited) 31 December 2016 AED
Capital commitments	-	62,000
Letters of guarantees	11,271,920	11,273,545

The Company in common with the significant majority of insurers, is subject to litigation in normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of its court cases will have a material impact on the Company's financial performance or financial position.

16 Dividend

During the period, the Board of Directors proposed cash dividend of 25% for the year ended 31 December 2016 representing AED 25 per share and amounting to AED 25 million. This dividend was approved at the Annual General Meeting held on 29 March 2017 and subsequently paid on 25 April 2017.

During the comparative period, the Board of Directors proposed cash dividend of 25% for the year ended 31 December 2015 representing AED 25 per share and amounting to AED 25 million. This dividend was approved at the Annual General Meeting held on 29 March 2016 and subsequently paid on 20 April 2016.

17 Comparative information

These condensed interim financial statements for the current year have been presented in accordance with the format given in Appendix I to the Financial Regulations for Insurance Companies issued by United Arab Emirates (UAE) Insurance Authority. Accordingly, comparative figures have been reclassified in order to conform with the current period's presentation and improve the quality of information. However, there is no effect on previously reported total assets, total equity, total liabilities, net underwriting income and net profit for the period. Therefore, statement of financial position of the Company at the beginning of comparative period has not been presented.