

Alliance Insurance (PSC)
Dubai - United Arab Emirates

Condensed Interim Financial Statements (Unaudited)
For the period ended June 30, 2016

Alliance Insurance (PSC)
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For the period ended June 30, 2016

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Alliance Insurance (PSC) (the "Company") as at June 30, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 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, August 4, 2016



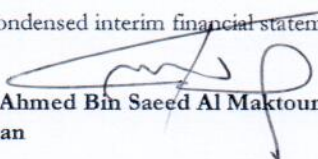
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Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

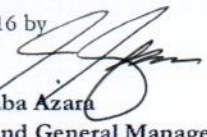
Condensed interim statement of financial position
As at June 30, 2016

	Notes	(Unaudited) June 30, 2016 AED	(Audited) December 31, 2015 AED
Assets			
Property and equipment		4,862,191	4,819,675
Investments at amortised cost	5	127,522,981	127,499,942
Investments carried at fair value through other comprehensive income	6	6,976,582	6,908,599
Investment property	7	189,926,000	189,926,000
Insurance balances receivable		3,281,002	2,817,722
Statutory deposits		10,000,000	10,000,000
Loans guaranteed by life insurance policies		40,800,456	40,011,400
Premiums and insurance balances receivable		68,744,224	50,303,088
Reinsurers' share of technical reserves		158,980,514	88,298,695
Other receivables and prepayments		14,951,572	11,401,251
Deposits	8	708,899,153	709,913,172
Cash and cash equivalents		21,149,603	24,155,062
Total assets		1,356,094,278	1,266,054,606
Shareholders' equity and liabilities			
Shareholder equity attributable to shareholders			
Retained earnings		26,806,483	40,737,104
Issued and paid up share capital		100,000,000	100,000,000
Statutory reserve		65,956,182	65,956,182
Regular reserve		56,366,982	56,366,982
General reserve		190,000,000	180,000,000
Cumulative change in fair value of investments carried at fair value through other comprehensive income		(3,829,334)	(3,897,317)
Total share capital and reserves		408,493,830	398,425,847
Total shareholders' equity		435,300,313	439,162,951
Liabilities			
Retirement benefit obligation		4,564,626	4,282,274
Accounts payable		21,801,490	4,026,125
Insurance liabilities			
Insurance contract liabilities		89,099,761	95,262,593
Premiums collected in advance		7,505,222	7,684,808
Technical provisions			
Unearned premium reserve		88,405,213	53,465,311
Claims under settlement reserve		91,702,663	53,946,482
Incurred but not reported reserve		4,787,123	2,570,265
Unallocated loss adjustment expense reserve		230,069	-
Mathematical reserve		612,697,798	605,653,797
Total technical provisions		797,822,866	715,635,855
Total liabilities		920,793,965	826,891,655
Total shareholders' equity and liabilities		1,356,094,278	1,266,054,606

These condensed interim financial statements have been signed on behalf of the board on August 4, 2016 by


Sheikh Ahmed Bin Saeed Al Maktoum
Chairman

Saeed Mohammed Ali AlKamda
Vice-Chairman


Aimen Saba Azara
Director and General Manager

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

Condensed interim income statement
For the period ended June 30, 2016

	(Unaudited) Three months ended June 30, 2016 AED	(Unaudited) Three months ended June 30, 2015 AED	(Unaudited) Six months ended June 30, 2016 AED	(Unaudited) Six months ended June 30, 2015 AED
Gross premiums	72,304,740	74,101,905	183,750,071	197,049,253
Reinsurance share of gross premiums	(39,322,654)	(40,030,889)	(114,569,071)	(127,185,095)
Net premiums	32,982,086	34,071,016	69,181,000	69,864,158
Net transfer to unearned premium reserve	(1,012,969)	(575,555)	(8,211,881)	(2,078,655)
Net premiums earned	31,969,117	33,495,461	60,969,119	67,785,503
Commissions earned	3,534,714	3,614,083	8,403,278	8,710,958
Commissions paid	(3,542,599)	(3,295,573)	(6,655,157)	(6,070,863)
Movement in deferred acquisition cost	462,526	140,690	1,966,452	(489,323)
Gross underwriting income	32,423,758	33,954,661	64,683,692	69,936,275
Gross claims paid	(9,801,789)	(11,373,987)	(21,948,486)	(22,865,527)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	5,642,260	6,366,965	14,095,498	13,073,663
Net claims paid	(4,159,529)	(5,007,022)	(7,852,988)	(9,791,864)
Movement in outstanding claims, incurred but not reported claims and unallocated loss adjustment reserves	1,934,079	(555,547)	1,784,236	168,567
Net claims incurred	(2,225,450)	(5,562,569)	(6,068,752)	(9,623,297)
Earnings and cancellations of life insurance policies	(22,473,568)	(16,652,467)	(36,559,672)	(30,695,516)
Decrease/(increase) in mathematical reserve	3,279,433	(5,840,765)	(7,044,001)	(13,630,854)
Gross underwriting expenses	(21,419,585)	(28,055,801)	(49,672,425)	(53,949,667)
Net underwriting income	11,004,173	5,898,860	15,011,267	15,986,608
Income from investments	10,103,963	9,857,735	19,917,638	19,067,880
Income from investment property	4,761,178	5,020,496	9,534,597	9,577,936
Investment expenses	(1,075,789)	(1,011,678)	(1,837,510)	(1,793,838)
Gain on foreign currency exchange fluctuation	125,989	51,385	230,925	122,118
Other gain	574,351	668,003	1,343,045	1,726,036
Total income	25,493,865	20,484,801	44,199,962	44,686,740
General and administrative expenses	(6,067,273)	(6,195,634)	(11,415,064)	(11,493,180)
Bonuses and rebates	(6,884,469)	(4,329,566)	(10,478,818)	(8,466,115)
Other operating expenses	(593,485)	(777,691)	(1,236,701)	(1,646,003)
Net profit for the period	11,948,638	9,181,910	21,069,379	23,081,442
Basic and diluted earnings per share (note 9)	11.95	9.18	21.07	23.08

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of comprehensive income
For the period ended June 30, 2016

	(Unaudited) Three months ended June 30, 2016 AED	(Unaudited) Three months ended June 30, 2015 AED	(Unaudited) Six months ended June 30, 2016 AED	(Unaudited) Six months ended June 30, 2015 AED
Net profit for the period	11,948,638	9,181,910	21,069,379	23,081,442
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net unrealised (loss)/gain from investments at fair value through other comprehensive income	(407,896)	2,195,324	67,983	2,259,460
Total comprehensive income for the period	11,540,742	11,377,234	21,137,362	25,340,902

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of changes in equity
For the period ended June 30, 2016

	Retained earnings AED	Issued and paid up share capital		Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of investments carried at shareholders' equity	
		AED	AED				FVTOCI AED	Total AED
Balance at December 31, 2014 (Audited)	46,138,085	100,000,000		61,555,797	51,966,597	165,000,000	(3,131,548)	421,528,931
Profit for the period	23,081,442	-	-	-	-	-	-	23,081,442
Other comprehensive income for the period	-	-	-	-	-	-	2,259,460	2,259,460
Total comprehensive income for the period	23,081,442	-	-	-	-	-	2,259,460	25,340,902
Dividends	(25,000,000)							(25,000,000)
Transfer to general reserve	(15,000,000)					15,000,000		-
Transactions with owners	(40,000,000)	-	-	-	-	15,000,000	-	(25,000,000)
Balance at June 30, 2015 (Unaudited)	29,219,527	100,000,000		61,555,797	51,966,597	180,000,000	(872,088)	421,869,833
Balance at December 31, 2015 (Audited)	40,737,104	100,000,000		65,956,182	56,366,982	180,000,000	(3,897,317)	439,162,951
Profit for the period	21,069,379	-	-	-	-	-	-	21,069,379
Other comprehensive income for the period	-	-	-	-	-	-	67,983	67,983
Total comprehensive income for the period	21,069,379	-	-	-	-	-	67,983	21,137,362
Dividend (note 13)	(25,000,000)							(25,000,000)
Transfer to general reserve	(10,000,000)					10,000,000		-
Transactions with owners	(35,000,000)	-	-	-	-	10,000,000	-	(25,000,000)
Balance at June 30, 2016 (Unaudited)	26,806,483	100,000,000		65,956,182	56,366,982	190,000,000	(3,829,334)	435,300,313

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of cash flows
For the period ended June 30, 2016

	(Unaudited) Six months ended June 30, 2016 AED	(Unaudited) Six months ended June 30, 2015 AED
Cash flows from operating activities		
Net profit for the period	21,069,379	23,081,442
<i>Adjustments for:</i>		
Depreciation	258,748	167,835
Increase in mathematical reserve	7,044,001	13,630,854
Profit on disposal of property and equipment	(16,700)	-
Income from deposits	(14,121,271)	(13,732,716)
Income from debt securities	(3,817,082)	(3,320,799)
Interest on policyholders' loans	(1,548,350)	(1,602,600)
Income from investment property	(7,695,119)	(7,586,390)
Unwinding of discount on investments at amortised cost	(23,039)	(26,958)
Provision for retirement benefit obligation	351,399	267,067
Operating cash before working capital changes	<u>1,501,966</u>	<u>10,877,735</u>
<i>Net changes in working capital:</i>		
Increase in insurance, premium and other receivables	(22,529,889)	(12,166,504)
Increase in reinsurance share of technical reserves	(70,681,819)	(58,766,536)
Increase in accounts payable, insurance contract liabilities and premium collected in advance	11,009,527	13,761,468
Increase in technical reserves	75,143,010	61,165,947
Retirement benefit obligation paid	(69,047)	(202,832)
Net cash (used in)/from operating activities	<u>(5,626,252)</u>	<u>14,669,278</u>
Cash flows from investing activities		
Purchase of property and equipment	(301,264)	(584,530)
Proceeds from sale of property and equipment	16,700	-
Net decrease in loans guaranteed by life policies	759,294	4,043,321
Purchases of investments at amortised cost	-	(30,000,000)
Income received on deposits	8,861,685	9,413,923
Income received from investments at amortized cost	3,834,839	2,726,950
Deposits encashed during the period	6,331,000	20,923,359
Income from investment property - net	8,118,539	10,857,648
Net cash from investing activities	<u>27,620,793</u>	<u>17,380,671</u>
Cash flows from financing activity		
Dividends paid to company's shareholders	(25,000,000)	(25,000,000)
Net cash used in financing activity	<u>(25,000,000)</u>	<u>(25,000,000)</u>
Net change in cash and cash equivalents	(3,005,459)	7,049,949
Cash and cash equivalents at beginning of the period	24,155,062	21,877,280
Cash and cash equivalents at end of the period	<u>21,149,603</u>	<u>28,927,229</u>

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Alliance Insurance (PSC)
Interim condensed financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended June 30, 2016

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 (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 for the six months period ended June 30, 2016 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' ("IAS 34") 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 December 31, 2015. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

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 December 31, 2015. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended December 31, 2015, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

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.

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 recent audited financial statements for the year ended December 31, 2015.

Alliance Insurance (PSC)
Interim condensed financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended June 30, 2016

5 Investments at amortised cost

	(Unaudited)	(Audited)
	June 30,	December 31,
	2016	2015
	AED	AED
Quoted bonds in the UAE	61,065,044	61,096,980
Unquoted bonds in the UAE	66,457,937	66,402,962
	<u>127,522,981</u>	<u>127,499,942</u>

The bonds carry interest at the rates of 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 instrument's life. The fair value of the quoted bonds at June 30, 2016 is AED 61.22 million (December 31, 2015: AED 60 million) and are classified as Level 1 of the fair value hierarchy and other investments measured at amortised costs are classified as Level 3. There were no transfers between each level during the period.

6 Investments carried at fair value through other comprehensive income

	(Unaudited)	(Audited)
	June 30,	December 31,
	2016	2015
	AED	AED
<i>Equity securities in the UAE market:</i>		
Quoted	6,934,232	6,866,249
Unquoted	42,350	42,350
	<u>6,976,582</u>	<u>6,908,599</u>

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 June 30, 2016 (December 31, 2015: Level 3).

8 Deposits

	(Unaudited)	(Audited)
	June 30,	December 31,
	2016	2015
	AED	AED
Short term deposits with banks in the UAE	453,500,000	459,831,000
Accrued interest	10,423,964	8,364,007
Total short term deposits (carried forward)	<u>463,923,964</u>	<u>468,195,007</u>

Alliance Insurance (PSC)
Interim condensed financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended June 30, 2016

8 Deposits (continued)

	(Unaudited) June 30, 2016 AED	(Audited) December 31, 2015 AED
Total short term deposits (brought forward)	<u>463,923,964</u>	468,195,007
Long term deposits with banks in the UAE	240,355,000	240,355,000
Accrued interest	<u>4,620,189</u>	1,363,165
Total long term deposits	<u>244,975,189</u>	241,718,165
Total deposits	<u>708,899,153</u>	709,913,172

Deposits comprise fixed deposits with banks bearing annual interest at rates ranging from 1.00% to 5.25% (December 31, 2015: 1.00% to 5.25%).

9 Basic and diluted earnings per share

	(Unaudited) Three months ended June 30		(Unaudited) Six months ended June 30	
	2016	2015	2016	2015
Net profit for the period (AED)	<u>11,948,638</u>	<u>9,181,909</u>	<u>21,069,379</u>	<u>23,081,442</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>11.95</u>	<u>9.18</u>	<u>21.07</u>	<u>23.08</u>

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

10 Segment analysis

For management purposes, the Company is organised into two business segments, general insurance and 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. No transactions were conducted between the segments.

Alliance Insurance (PSC)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended June 30, 2016

10 Segment analysis

	Period ended June 30, 2016		Period ended June 30, 2015			
	General Insurance AED	Life Assurance AED	Total AED	General Insurance AED	Life Assurance AED	Total AED
Net insurance premium earned	9,827,898	51,141,221	60,969,119	17,593,745	50,191,758	67,785,503
Net commission received/(paid)	6,992,255	(3,277,682)	3,714,573	4,730,029	(2,579,257)	2,150,772
Net claims incurred	(5,636,710)	(432,042)	(6,068,752)	(8,593,752)	(1,029,545)	(9,623,297)
Earnings and cancellations of life insurance policies	-	(36,559,672)	(36,559,672)	-	(30,695,516)	(30,695,516)
Increase in mathematical reserve	-	(7,044,001)	(7,044,001)	-	(13,630,854)	(13,630,854)
Gross underwriting expenses	(5,636,710)	(44,035,715)	(49,672,425)	(8,593,752)	(45,355,915)	(53,949,667)
Net underwriting income	11,183,443	3,827,824	15,011,267	13,730,022	2,256,586	15,986,608
Income from investment activities	6,415,063	13,502,575	19,917,638	6,151,233	12,916,647	19,067,880
Income from investment property (net)	2,893,357	4,803,730	7,697,087	2,951,988	4,832,110	7,784,098
Other income	1,307,035	266,935	1,573,970	1,631,952	216,202	1,848,154
Total income	21,798,898	22,401,064	44,199,962	24,465,195	20,221,545	44,686,740
General and administrative expenses	(7,186,854)	(4,228,210)	(11,415,064)	(7,188,770)	(4,304,410)	(11,493,180)
Bonuses and rebates	-	(10,478,818)	(10,478,818)	-	(8,466,115)	(8,466,115)
Other operating expenses	(1,046,313)	(190,388)	(1,236,701)	(1,475,783)	(170,220)	(1,646,003)
Profit for the year	13,565,731	7,503,648	21,069,379	15,800,642	7,280,800	23,081,442

As at June 30, 2016

As at December 31, 2015

Segment assets	624,334,200	731,760,078	1,356,094,278	536,896,078	729,158,528	1,266,054,606
Segment liabilities	263,470,637	657,323,328	920,793,965	177,477,698	649,413,957	826,891,655

Alliance Insurance (PSC)
Interim condensed financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended June 30, 2016

11 Related parties

Related parties include the Company's major shareholders, directors and businesses controlled by them and their families 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) June 30, 2016 AED	(Audited) December 31, 2015 AED
Due from related parties	<u>2,075,555</u>	<u>1,857,285</u>

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 June 30		(Unaudited) Six months ended June 30	
	2016	2015	2016	2015
Premiums	2,189,803	853,696	2,327,404	3,695,149
Claims paid	<u>112,169</u>	<u>192,142</u>	<u>288,076</u>	<u>316,563</u>

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

Compensation of key management personnel

	(Unaudited) Three months ended June 30		(Unaudited) Six months ended June 30	
	2016	2015	2016	2015
Directors' remuneration and short-term benefits	<u>369,074</u>	<u>405,667</u>	<u>735,414</u>	<u>714,621</u>

Directors' remuneration is calculated in accordance with the Article 55 of the Articles of Association of the Company.

Alliance Insurance (PSC)
Interim condensed financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended June 30, 2016

12 Contingences and commitments

	(Unaudited) June 30, 2016 AED	(Audited) December 31, 2015 AED
Capital commitments	<u>62,500</u>	100,000
Letters of guarantees	<u>11,264,170</u>	<u>11,270,000</u>

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

13 Dividend

The Board of Directors proposed cash dividend of 25% (i.e. AED 25 per share) amounting to AED 25 million for the year ended December 31, 2015 which was approved at the Annual General Meeting held on March 29, 2016 and paid on April 20, 2016.