

Alliance Insurance (PSC)
Dubai - United Arab Emirates

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

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)
For the period ended 30 September 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 30 September 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 nine months' period then ended. 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, 9 November 2016**



Rolex Tower
23rd floor
Sheikh Zayed Road
P.O. Box 1620
Dubai, United Arab Emirates
Tel: +971 (4) 388 9925
Fax: +971 (4) 388 9915
W: www.grantthornton.ae

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

Condensed interim statement of financial position
As at 30 September 2016

	Notes	(Unaudited) 30 September 2016 AED	(Audited) 31 December 2015 AED
Assets			
Property and equipment		4,795,348	4,819,675
Investments at amortised cost	5	127,534,627	127,499,942
Investments carried at fair value through other comprehensive income	6	7,078,556	6,908,599
Investment property	7	189,926,000	189,926,000
Insurance balances receivable		4,908,151	2,817,722
Statutory deposits		10,000,000	10,000,000
Loans guaranteed by life insurance policies		41,541,402	40,011,400
Premiums and insurance balances receivable		50,780,202	50,303,088
Reinsurers' share of technical reserves		163,611,843	88,298,695
Other receivables and prepayments		12,922,931	11,401,251
Deposits	8	717,803,880	709,913,172
Cash and cash equivalents		26,385,278	24,155,062
Total assets		1,357,288,218	1,266,054,606
Shareholders' equity and liabilities			
Equity attributable to shareholders			
Retained earnings		38,804,204	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 (FVTOCI)		(3,727,360)	(3,897,317)
Total share capital and reserves		408,595,804	398,425,847
Total shareholders' equity		447,400,008	439,162,951
Liabilities			
Retirement benefit obligation		4,660,806	4,282,274
Accounts payable		13,496,955	4,026,125
		18,157,761	8,308,399
Insurance liabilities			
Insurance contract liabilities		81,353,221	95,262,593
Premiums collected in advance		7,737,051	7,684,808
		89,090,272	102,947,401
Technical provisions			
Unearned premium reserve		68,346,381	50,136,743
Deferred reinsurance commission reserve		3,557,198	3,328,568
Claims under settlement reserve		107,851,980	53,946,482
Incurred but not reported reserve		5,043,713	2,570,265
Mathematical reserve		617,840,905	605,653,797
Total technical provisions		802,640,177	715,635,855
Total liabilities		909,888,210	826,891,655
Total shareholders' equity and liabilities		1,357,288,218	1,266,054,606

These condensed interim financial statements have been signed on behalf of the Company on 9 November 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 30 September 2016

	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Three months ended 30 September 2015 AED	(Unaudited) Nine months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2015 AED
Gross premiums	50,559,771	49,421,060	234,309,842	246,470,313
Reinsurance share of gross premiums	(21,373,818)	(21,982,578)	(135,942,889)	(149,167,673)
Net premiums	29,185,953	27,438,482	98,366,953	97,302,640
Net release of / (transfer to) unearned premium reserve	2,126,771	1,805,339	(6,085,110)	(273,316)
Net premiums earned	31,312,724	29,243,821	92,281,843	97,029,324
Commissions earned	1,900,568	1,863,833	10,303,846	10,574,791
Commissions paid	(2,944,441)	(2,409,534)	(9,599,598)	(8,480,397)
Movement in deferred acquisition cost	322,943	499,968	2,289,395	10,645
Gross underwriting income	30,591,794	29,198,088	95,275,486	99,134,363
Gross claims paid	(7,652,266)	(8,790,670)	(29,600,752)	(31,656,197)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	4,983,371	4,038,531	19,078,869	17,112,194
Net claims paid	(2,668,895)	(4,752,139)	(10,521,883)	(14,544,003)
Movement in outstanding claim, incurred but not reported claims reserve and unallocated loss adjustment reserves	(73,727)	1,342,622	1,710,509	1,511,189
Net claims incurred	(2,742,622)	(3,409,517)	(8,811,374)	(13,032,814)
Earnings and cancellations of life insurance policies	(16,381,683)	(14,236,633)	(52,941,355)	(44,932,149)
Increase in mathematical reserve	(2,561,969)	(4,370,020)	(9,605,970)	(18,000,874)
Gross underwriting expenses	(21,686,274)	(22,016,170)	(71,358,699)	(75,965,837)
Net underwriting income	8,905,520	7,181,918	23,916,787	23,168,526
Income from investments	9,866,670	9,669,614	29,784,308	28,737,494
Income from investment property	4,866,096	4,554,018	14,400,693	14,131,954
Investment expenses	(1,351,458)	(1,290,775)	(3,188,968)	(3,084,613)
Gain on foreign currency exchange fluctuation	97,200	113,751	328,125	235,869
Other gain	702,839	693,790	2,045,884	2,419,826
Total income	23,086,867	20,922,316	67,286,829	65,609,056
General and administrative expenses	(5,607,630)	(5,416,817)	(17,022,694)	(16,909,997)
Bonuses and rebates	(4,889,351)	(5,056,281)	(15,368,169)	(13,522,396)
Other operating expenses	(592,165)	(498,251)	(1,828,866)	(2,144,254)
Net profit for the period	11,997,721	9,950,967	33,067,100	33,032,409
Basic and diluted earnings per share (note 9)	12.00	9.95	33.07	33.03

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 30 September 2016

	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Three months ended 30 September 2015 AED	(Unaudited) Nine months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2015 AED
Net profit for the period	11,997,721	9,950,967	33,067,100	33,032,409
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net unrealised gain / (loss) from investments at fair value through other comprehensive income	101,974	(1,835,531)	169,957	423,929
Total comprehensive income for the period	12,099,695	8,115,436	33,237,057	33,456,338

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

Condensed Interim Financial Statements (Unaudited)

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

	Retained earnings	Issued and paid up share capital	Statutory reserve	Regular reserve	General reserve	Cumulative change in fair value of investments carried at FVTOCI	Total shareholders' equity
	AED	AED	AED	AED	AED	AED	AED
Balance at 31 December 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	33,032,409	-	-	-	-	-	33,032,409
Other comprehensive income for the period	-	-	-	-	-	423,929	423,929
Total comprehensive income for the period	33,032,409	-	-	-	-	423,929	33,456,338
Dividend (note 13)	(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 30 September 2015 (Unaudited)	39,170,494	100,000,000	61,555,797	51,966,597	180,000,000	(2,707,619)	429,985,269
Balance at 31 December 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	33,067,100	-	-	-	-	-	33,067,100
Other comprehensive income for the period	-	-	-	-	-	169,957	169,957
Total comprehensive income for the period	33,067,100	-	-	-	-	169,957	33,237,057
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 30 September 2016 (Unaudited)	38,804,204	100,000,000	65,956,182	56,366,982	190,000,000	(3,727,360)	447,400,008

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 30 September 2016

	(Unaudited) Nine months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2015 AED
Cashflows from operating activities		
Net profit for the period	33,067,100	33,032,409
<i>Adjustments:</i>		
Depreciation	392,725	239,842
Increase in mathematical reserve	9,605,970	18,000,874
Profit on disposal of property and equipment	(16,700)	-
Interest income from deposits	(21,273,782)	(20,674,560)
Income from debt securities	(5,746,596)	(5,253,827)
Dividend income on securities	(407,896)	(384,807)
Interest on loans guaranteed by life insurance policies	(2,321,349)	(2,385,669)
Income from investment property	(11,211,725)	(11,047,341)
Unwinding of discount on investments at amortised cost	(34,685)	(38,631)
Provision for retirement benefit obligation	449,366	584,147
Net cash generated from operating activities before working capital changes	2,502,428	12,072,437
<i>Working capital changes:</i>		
Increase in insurance balances receivable, premiums and insurance balances receivable, and other receivables and prepayments	(286,459)	(1,963,284)
Increase in reinsurers' share of technical reserves	(72,732,010)	(42,124,904)
Decrease/(increase) in accounts payable, insurance contract liabilities and premiums collected in advance	(9,658,348)	40,876,385
Increase / (decrease) in technical provisions	74,817,214	(8,174,106)
Retirement benefit obligation paid	(70,834)	(689,928)
Net cash used in operating activities	(5,428,009)	(3,400)
Cash flows from investing activities		
Purchase of property and equipment	(368,398)	(879,037)
Proceeds from sale of property, machinery and equipment	16,700	-
Net decrease in loans guaranteed by life insurance policies	791,347	5,000,332
Purchases of investments at amortised cost	-	(30,090,000)
Income received on deposits	16,308,650	16,506,029
Income received from investments at amortised cost	5,908,078	4,800,187
Dividend income received	407,896	384,807
Deposits (made)/encashed during the period	(2,925,575)	15,909,001
Income received from investment property	12,519,527	12,750,160
Net cash generated from investing activities	32,658,225	24,381,479
Cash flows from financing activity		
Dividends paid	(25,000,000)	(25,000,000)
Net cash used in financing activity	(25,000,000)	(25,000,000)
Increase/(decrease) in cash and cash equivalents	2,230,216	(621,921)
Cash and cash equivalents at the beginning of the period	24,155,062	21,877,280
Cash and cash equivalents at end of the period	26,385,278	21,255,359

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

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)

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

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 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 are for the nine months’ period ended 30 September 2016 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 2015. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 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 31 December 2015. 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 2015, 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 2015 with the exception of the reserving methodology of medical IBNR (incurred but not reported) claim reserves. Medical IBNR claim reserves is now determined as 20% of the medical outstanding claim reserves.

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)

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

5 Investments at amortised cost

	(Unaudited) 30 September 2016 AED	(Audited) 31 December 2015 AED
Quoted bonds in the UAE	61,048,900	61,096,980
Unquoted bonds in the UAE	66,485,727	66,402,962
	<u>127,534,627</u>	<u>127,499,942</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 instrument's lives. The fair value of these quoted bonds at 30 September 2016 is AED 62.66 million (31 December 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) 30 September 2016 AED	(Audited) 31 December 2015 AED
<i>Equity securities in the UAE market:</i>		
Quoted	7,036,206	6,866,249
Unquoted	42,350	42,350
	<u>7,078,556</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 30 September 2016 (31 December 2015: Level 3).

8 Deposits

	(Unaudited) 30 September 2016 AED	(Audited) 31 December 2015 AED
Short term deposits with banks in the UAE	462,756,575	459,831,000
Accrued interest	7,526,971	8,364,007
Total short term deposits (carried forward)	<u>470,283,546</u>	<u>468,195,007</u>

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)

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

8 Deposits (continued)

	(Unaudited) 30 September 2016 AED	(Audited) 31 December 2015 AED
Total short term deposits (brought forward)	470,283,546	468,195,007
Long term deposits with banks in the UAE	240,355,000	240,355,000
Accrued interest	7,165,334	1,363,165
Total long term deposits	247,520,334	241,718,165
Total deposits	717,803,880	709,913,172

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

9 Basic and diluted earnings per share

	(Unaudited) Three months ended 30 September 2016	(Unaudited) Three months ended 30 September 2015	(Unaudited) Nine months ended 30 September 2016	(Unaudited) Nine months ended 30 September 2015
Net profit for the period (AED)	11,997,721	9,950,967	33,067,100	33,032,409
Weighted average number of ordinary shares for the purpose of earnings per share	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share (AED)	12.00	9.95	33.07	33.03

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 30 September 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) 30 September 2016 AED	(Audited) 31 December 2015 AED
Due from shareholders and directors	137,635	124,365
Due from companies controlled by shareholders and their families	694,558	1,732,920
	<u>832,193</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 30 September 2016 AED	(Unaudited) Three months ended 30 September 2015 AED	(Unaudited) Nine months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2015 AED
Premiums	701,419	67,725	3,028,823	3,762,874
Claims paid	746,681	174,215	1,034,757	490,778

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

Compensation of key management personnel

	(Unaudited) Three months ended 30 September 2016 AED	(Unaudited) Three months ended 30 September 2015 AED	(Unaudited) Nine months ended 30 September 2016 AED	(Unaudited) Nine months ended 30 September 2015 AED
Directors' remuneration and short-term benefits	370,980	320,076	1,106,394	1,034,697

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

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)

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

12 Contingences and commitments

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

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.

13 Dividend

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