

Alliance Insurance (PSC)

Dubai - United Arab Emirates

Condensed Interim Financial Statements (Unaudited)
For the period ended 30 June 2018

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)
For the period ended 30 June 2018

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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 financial statements of Alliance Insurance (PSC) (the "Company") which comprise the condensed interim statement of financial position of the Company as at 30 June 2018, 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 six month period then ended, supplementary condensed interim statement of financial position for insurance of persons and fund accumulation operations as at 30 June 2018, supplementary condensed interim income statement for insurance of persons and fund accumulation operations for the six month period then ended, supplementary condensed interim statement of financial position for property and liability insurance as at 30 June 2018, supplementary condensed interim income statement for property and liability insurance for the six 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, 6 August 2018



Grant Thornton
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

Alliance Insurance (PSC)
Condensed interim statement of financial position of the Company (Unaudited)
At 30 June 2018

	Notes	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Assets			
Property and equipment		6,084,623	6,171,779
Investments at amortised cost	5	214,077,571	212,322,237
Investments carried at fair value through other comprehensive income	6	6,781,270	8,601,505
Investment property	7	198,008,250	198,008,250
Statutory deposits		10,000,000	10,000,000
Loans guaranteed by life insurance policies		45,634,799	41,390,375
Premiums and insurance balances receivable	8	64,721,100	53,231,086
Reinsurers' share of technical reserves		137,821,906	127,115,136
Other receivables and prepayments	9	22,659,074	13,027,980
Deposits	10	616,253,042	638,769,461
Cash and cash equivalents		23,925,287	16,932,088
Total assets		1,345,966,922	1,325,569,897
Shareholders' equity and liabilities			
Equity attributable to shareholders			
Issued and paid up share capital		100,000,000	100,000,000
Retained earnings		29,266,395	42,815,483
Statutory reserve		75,283,253	75,283,253
Regular reserve		65,694,053	65,694,053
General reserve		210,000,000	200,000,000
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(3,982,296)	(2,162,061)
Total shareholders' equity		476,261,405	481,630,728
Liabilities			
Retirement benefits obligation		4,868,711	5,081,574
Accounts payable	11	57,138,502	46,169,539
		62,007,213	51,251,113
Insurance liabilities			
Insurance contract liabilities		59,869,444	55,998,959
Premium collected in advance		7,403,584	8,722,384
		67,273,028	64,721,343
Technical provisions			
Unearned premium reserve		89,678,620	70,877,245
Deferred reinsurance commission reserve – net		606,575	447,432
Claims under settlement reserve		75,580,349	79,574,602
Incurred but not reported reserve		5,709,223	5,286,862
Unallocated loss adjustment expense reserve		397,079	370,837
Unexpired risk reserve		821,811	707,139
Mathematical reserve		567,631,619	570,702,596
Total technical provisions		740,425,276	727,966,713
Total liabilities		869,705,517	843,939,169
Total shareholders' equity and liabilities		1,345,966,922	1,325,569,897

These condensed interim financial statements have been signed on behalf of the Company on 6 August 2018 by:

Sheikh Ahmed Bin Saeed Al Maktoum
Chairman

Saeed Mohammed Al 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 June 2018

	(Unaudited) Three months ended 30 June 2018 AED	(Unaudited) Three months ended 30 June 2017 AED	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) six months ended 30 June 2017 AED
Gross premiums	68,907,501	71,031,342	157,591,030	155,267,320
Reinsurance share of gross premiums	(34,503,411)	(34,197,389)	(81,615,399)	(77,231,064)
Net premiums	34,404,090	36,833,953	75,975,631	78,036,256
Net transfer to unearned premium reserve	695,331	(3,558,814)	(4,546,862)	(10,610,731)
Net premiums earned	35,099,421	33,275,139	71,428,769	67,425,525
Commissions received	4,432,190	3,007,842	7,931,972	6,805,815
Commissions paid	(3,615,979)	(3,717,180)	(7,580,969)	(7,721,141)
Movement in deferred reinsurance commission reserves – net	(548,032)	(159,272)	(159,143)	246,278
Gross underwriting income	35,367,600	32,406,529	71,620,629	66,756,477
Gross claims paid	(15,453,830)	(7,629,960)	(25,569,468)	(14,556,654)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	10,053,066	4,671,993	15,805,247	8,926,338
Net claims paid	(5,400,764)	(2,957,967)	(9,764,221)	(5,630,316)
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	1,370,496	(316,008)	(116,766)	(2,179,888)
Earnings and cancellations of life insurance policies	(23,201,009)	(28,609,225)	(38,141,592)	(47,626,097)
Decrease in mathematical reserves	6,287,840	13,863,062	3,070,977	16,454,833
Net claims incurred	(20,943,437)	(18,020,138)	(44,951,602)	(38,981,468)
Net underwriting income	14,424,163	14,386,391	26,669,027	27,775,009
Income from financial investments	10,725,169	10,154,529	20,996,415	19,948,702
Income from investments property- net	3,519,746	3,628,009	7,292,879	7,505,213
Foreign currency exchange gain	78,422	86,192	208,844	190,484
Other income	695,821	591,344	1,408,786	1,390,314
Total income	29,443,321	28,846,465	56,575,951	56,809,722
General and administrative expenses	(6,005,266)	(6,610,236)	(12,024,698)	(12,782,476)
Bonuses and rebates (net of reinsurance)	(10,414,506)	(11,066,667)	(16,551,118)	(18,912,979)
Other operating expenses	(707,590)	(784,328)	(1,549,223)	(1,594,132)
Net profit for the period	12,315,959	10,385,234	26,450,912	23,520,135
Earnings per share:				
Basic and diluted (Note 12)	12.32	10.39	26.45	23.52

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 June 2018

	(Unaudited) Three months ended 30 June 2018 AED	(Unaudited) Three months ended 30 June 2017 AED	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) six months ended 30 June 2017 AED
Net profit for the period	12,315,959	10,385,234	26,450,912	23,520,135
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net unrealised loss from investments at fair value through other comprehensive income	(678,128)	(870,180)	(1,820,235)	(666,231)
Net realised gain on investments at fair value through other comprehensive income	-	46,486	-	46,486
Total comprehensive income for the period	11,637,831	9,561,540	24,630,677	22,900,390

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 June 2018

	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	Total shareholders' equity AED
At 31 December 2017 (Audited)	100,000,000	42,815,483	75,283,253	65,694,053	200,000,000	(2,162,061)	481,630,728
Net profit for the period	-	26,450,912	-	-	-	-	26,450,912
Net unrealised loss from investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,820,235)	(1,820,235)
Total comprehensive income for the period	-	26,450,912	-	-	-	(1,820,235)	24,630,677
Dividends paid (Note 16)	-	(30,000,000)	-	-	-	-	(30,000,000)
Transfer to general reserve	-	(10,000,000)	-	-	10,000,000	-	-
Transactions with owners	-	(40,000,000)	-	-	10,000,000	-	(30,000,000)
At 30 June 2018 (Unaudited)	100,000,000	29,266,395	75,283,253	65,694,053	210,000,000	(3,982,296)	476,261,405
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	-	23,520,135	-	-	-	-	23,520,135
Net unrealised loss from investments carried at fair value through other comprehensive income	-	-	-	-	-	(666,231)	(666,231)
Net unrealised gain from investments carried at fair value through other comprehensive income	-	46,486	-	-	-	-	46,486
Total comprehensive income for the period	-	23,566,621	-	-	-	(666,231)	22,900,390
Dividend paid (Note 16)	-	(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)
At 30 June 2017 (Unaudited)	100,000,000	29,143,485	70,466,568	60,877,368	200,000,000	(3,339,860)	457,147,561

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

Alliance Insurance (PSC)

Condensed interim statement of cash flows of the Company (Unaudited) For the period ended 30 June 2018

	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) Six months ended 30 June 2017 AED
Cash flows from operating activities		
Net profit for the period	26,450,912	23,520,135
<i>Adjustments:</i>		
Depreciation	309,597	336,225
Gain on disposal of property and equipment	-	(5,000)
Income from investments at amortised cost	(6,231,973)	(4,280,846)
Decrease in mathematical reserve	(3,070,977)	(16,454,833)
Dividend income	(428,290)	(407,896)
Interest income from deposits	(12,557,736)	(14,380,039)
Interest income from loans guaranteed by life insurance Policies	(1,693,180)	(839,505)
Income from investment property – net	(7,292,879)	(7,505,213)
Allowance for doubtful debts	2,423	-
Provision for retirement benefit obligation	197,220	471,769
	<u>(4,314,883)</u>	<u>(19,545,203)</u>
<i>Changes in operating assets and liabilities:</i>		
(Increase)/ decrease in premiums and insurance balances receivables, other receivables and prepayments	(13,622,567)	2,793,084
(Increase)/ decrease in reinsurance share of technical Reserves	(10,706,770)	8,451,505
Increase in mathematical reserves	15,529,539	4,092,835
Increase/ (decrease) in accounts payable, insurance contract liabilities and premium collected in advance	2,274,222	(3,192,153)
Cash used in operations	(10,840,459)	(7,399,932)
Retirement benefit obligation paid	(410,083)	(52,299)
Net cash used in operating activities	<u>(11,250,542)</u>	<u>(7,452,231)</u>
Cash flows from investing activities		
Purchase of property and equipment	(222,441)	(184,302)
Proceeds from sale of property and equipment	-	5,000
Proceeds from sale of investments carried at fair value through other comprehensive income	-	88,836
Net increase in loans guaranteed by life insurance policies	(2,551,244)	196,393
Purchase of investments at amortised cost	(1,840,569)	(36,622,451)
Income received on deposits	7,429,155	9,544,545
Income received from investments at amortised cost	6,349,465	3,892,535
Deposits encashed during the period	27,645,000	52,350,000
Dividend income received	428,290	407,896
Income received from investment property	11,006,085	11,042,762
Net cash generated from investing activities	<u>48,243,741</u>	<u>40,721,214</u>
Cash flows from financing activities		
Dividend paid	(30,000,000)	(25,000,000)
Net cash used in financing activities	<u>(30,000,000)</u>	<u>(25,000,000)</u>
Net increase in cash and cash equivalents	6,993,199	8,268,983
Cash and cash equivalents at beginning of period	16,932,088	17,316,783
Cash and cash equivalents at end of the period	<u>23,925,287</u>	<u>25,585,766</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 June 2018

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Assets		
Property and equipment	3,622,472	3,585,256
Investments at amortised cost	147,746,705	145,969,139
Investments carried at fair value through other comprehensive income	-	-
Investment property	116,034,300	116,034,300
Statutory deposits	2,000,000	2,000,000
Loans guaranteed by life insurance policies	45,634,799	41,390,375
Premiums and insurance balances receivable	332,088	235,189
Reinsurers' share of technical reserves	1,487,339	1,809,237
Other receivables and prepayments	9,095,721	3,697,453
Deposits	375,421,624	383,971,206
Cash and cash equivalents	4,181,013	4,462,392
Inter-division balance	141,273,992	150,722,891
Total assets	846,830,053	853,877,438
Shareholders' equity and liabilities		
Issued and paid up share capital	50,000,000	50,000,000
Retained earnings	9,034,786	20,951,355
Statutory reserve	36,322,546	36,322,546
Regular reserve	31,527,946	31,527,946
General reserve	102,113,261	97,219,855
Total shareholders' equity	228,998,539	236,021,702
Liabilities		
Retirement benefits obligation	2,597,919	2,858,240
Accounts payable	16,945,814	9,259,935
	19,543,733	12,118,175
Insurance liabilities		
Insurance contract liabilities	19,406,220	21,723,432
Premiums received in advance	7,403,584	8,722,384
	26,809,804	30,445,816
Technical provisions		
Unearned premium reserve	1,100,776	1,000,934
Deferred reinsurance commission reserve – net	(88,059)	(100,032)
Claims under settlement reserve	2,765,602	3,581,794
Incurred but not reported reserve	58,267	94,339
Unallocated loss adjustment expense reserve	9,772	12,114
Mathematical reserve	567,631,619	570,702,596
Total technical provisions	571,477,977	575,291,745
Total liabilities	617,831,514	617,855,736
Total shareholders' equity and liabilities	846,830,053	853,877,438

Alliance Insurance (PSC)

Supplementary condensed interim statement of comprehensive income for insurance of persons and fund accumulation operations (Unaudited) For the period ended 30 June 2018

	(Unaudited) Three months ended 30 June 2018 AED	(Unaudited) Three months ended 30 June 2017 AED	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) six months ended 30 June 2017 AED
Gross premiums	25,167,155	25,633,247	51,332,695	52,016,774
Reinsurance share of gross premiums	(874,419)	(1,165,194)	(1,896,507)	(1,904,951)
Net premiums	24,292,736	24,468,053	49,436,188	50,111,823
Net transfer to unearned premium reserve	(126,236)	(47,342)	(107,183)	130,557
Net premiums earned	24,166,500	24,420,711	49,329,005	50,242,380
Commissions received	999,365	37,992	1,038,425	965,112
Commissions paid	(2,172,833)	(2,383,343)	(4,345,782)	(4,713,906)
Movement in deferred reinsurance commission reserve – net	(5,319)	13,430	(11,973)	1,548
Gross underwriting income	22,987,713	22,088,790	46,009,675	46,495,134
Gross claims paid	(819,255)	(179,170)	(1,593,743)	(595,228)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	308,008	51,775	635,807	254,739
Net claims paid	(511,247)	(127,395)	(957,936)	(340,489)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	467,794	(324,821)	540,049	(1,546,430)
Earnings and cancellations of life insurance policies	(23,201,009)	(28,609,225)	(38,141,592)	(47,626,097)
Decrease in mathematical reserves	6,287,840	13,863,062	3,070,977	16,454,833
Net claims incurred	(16,956,622)	(15,198,379)	(35,488,502)	(33,058,183)
Net underwriting income	6,031,091	6,890,411	10,521,173	13,436,951
Income from financial investments	7,031,807	6,720,562	13,549,907	13,127,734
Income from investment property - net	2,269,965	2,292,199	4,645,151	4,742,095
Foreign currency exchange gain	90,853	102,383	190,412	202,297
Other gain	46,339	61,721	100,198	107,509
Total income	15,470,055	16,067,276	29,006,841	31,616,586
General and administrative expenses	(2,290,354)	(2,486,770)	(4,597,680)	(4,824,490)
Bonuses and rebates (net of reinsurance)	(10,414,506)	(11,066,667)	(16,551,118)	(18,912,979)
Other operating expenses	(88,508)	(96,668)	(200,985)	(180,720)
Net profit for the period	2,676,687	2,417,171	7,657,058	7,698,397

Alliance Insurance (PSC)

Supplementary condensed interim statement of financial position for property and liability insurance (Unaudited) At 30 June 2018

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Assets		
Property and equipment	2,462,151	2,586,523
Investments at amortised cost	66,330,866	66,353,098
Investments carried at fair value through other comprehensive income	6,781,270	8,601,505
Investments property	81,973,950	81,973,950
Statutory deposits	8,000,000	8,000,000
Premiums and insurance balances receivable	64,389,012	52,995,897
Reinsurers' share of technical reserves	136,334,567	125,305,899
Other receivables and prepayments	13,563,353	9,330,527
Deposits	240,831,418	254,798,255
Cash and cash equivalents	19,744,274	12,469,696
Total assets	640,410,861	622,415,350
Shareholders' equity and liabilities		
Equity attributable to shareholders		
Issued and paid up share capital	50,000,000	50,000,000
Retained earnings	20,231,609	21,864,128
Statutory reserve	38,960,707	38,960,707
Regular reserve	34,166,107	34,166,107
General reserve	107,886,739	102,780,145
Cumulative changes in fair value of investments carried at fair value through other comprehensive income	(3,982,296)	(2,162,061)
Total shareholders' equity	247,262,866	245,609,026
Liabilities		
Retirement benefit obligation	2,270,792	2,223,334
Accounts payable	40,192,688	36,909,604
Inter-division balance	141,273,992	150,722,891
	183,737,472	189,855,829
Insurance liabilities		
Insurance contract liabilities	40,463,224	34,275,527
Technical provisions		
Unearned premium reserve	88,577,844	69,876,311
Deferred reinsurance commission reserve - net	694,634	547,464
Claims under settlement reserve	72,814,747	75,992,808
Incurred but not reported reserve	5,650,956	5,192,523
Unallocated loss adjustment expense reserve	387,307	358,723
Unexpired risk reserve	821,811	707,139
Total technical provisions	168,947,299	152,674,968
Total liabilities	393,147,995	376,806,324
Total shareholders' equity and liabilities	640,410,861	622,415,350

Alliance Insurance (PSC)

Supplementary condensed interim statement of comprehensive income for property and liability insurance (Unaudited) For the period ended 30 June 2018

	(Unaudited) Three months ended 30 June 2018 AED	(Unaudited) Three months ended 30 June 2017 AED	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) six months ended 30 June 2017 AED
Reinsurance share of gross premiums	43,740,346	45,398,095	106,258,335	103,250,546
Net premiums	(33,628,992)	(33,032,195)	(79,718,892)	(75,326,113)
Net transfer to unearned premium reserve	821,567	(3,511,472)	(4,439,679)	(10,741,288)
Net premiums earned	10,932,921	8,854,428	22,099,764	17,183,145
Commissions received	3,432,825	2,969,850	6,893,547	5,840,703
Commissions paid	(1,443,146)	(1,333,837)	(3,235,187)	(3,007,235)
Movement in deferred reinsurance commission reserve – net	(542,713)	(172,702)	(147,170)	244,730
Gross underwriting income	12,379,887	10,317,739	25,610,954	20,261,343
Gross claims paid	(14,634,575)	(7,450,790)	(23,975,725)	(13,961,426)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	9,745,058	4,620,218	15,169,440	8,671,599
Net claims paid	(4,889,517)	(2,830,572)	(8,806,285)	(5,289,827)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	902,702	8,813	(656,815)	(633,458)
Net claims incurred	(3,986,815)	(2,821,759)	(9,463,100)	(5,923,285)
Net underwriting income	8,393,072	7,495,980	16,147,854	14,338,058
Income from financial investments	3,693,362	3,433,967	7,446,508	6,820,968
Income from investment property -net	1,249,781	1,335,810	2,647,728	2,763,118
Foreign currency exchange gain	(12,431)	(16,191)	18,432	(11,813)
Other gain	649,482	529,623	1,308,588	1,282,805
Total income	13,973,266	12,779,189	27,569,110	25,193,136
General and administrative expenses	(3,714,912)	(4,123,466)	(7,427,018)	(7,957,986)
Other operating expenses	(619,082)	(687,660)	(1,348,238)	(1,413,412)
Net profit for the period	9,639,272	7,968,063	18,793,854	15,821,738

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 six months period ended 30 June 2018 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 2017. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017. 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 2017, 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.

Standards and amendments that are effective for the first time in 2018 and applicable to the Company are:

- IFRS 15 ‘Revenue from Contracts with Customers’
- Transfers of Investment Property (Amendments to IAS 40)
- Annual Improvements to IFRS 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)
- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’
- IFRS 9 ‘Financial Instruments’

These amendments do not have a significant impact on these condensed interim financial statements and therefore the disclosures have not been made.

3 Summary of significant accounting policies (continued)

Value Added Tax

In accordance with the Federal Decree-Law No. (8) of 2017 Value Added Tax (VAT) has been introduced from 1 January 2018 at a rate of 5% of taxable supplies. With this regard the Company collects VAT on certain premiums and pays VAT on certain expenses incurred.

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 2017.

5 Investments at amortised cost

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
Quoted bonds	147,398,781	145,698,268
Unquoted bonds	66,678,790	66,623,969
	<u>214,077,571</u>	<u>212,322,237</u>

The bonds carry interest at the rates ranging from 4.75% to 7.5% (2016: 5% 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. There were no transfers between fair value three-level hierarchy during the period.

6 Investments carried at fair value through other comprehensive income

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
<i>Equity securities in the UAE market:</i>		
Quoted	<u>6,781,270</u>	<u>8,601,505</u>

Alliance Insurance (PSC)
Notes to the condensed interim financial statements (Unaudited)
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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 June 2018 (31 December 2017: Level 3).

8 Premiums and insurance balances receivable

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Due from policyholders	55,119,663	42,916,956
Less: Allowance for doubtful debts	(1,379,037)	(1,376,614)
	<u>53,740,626</u>	<u>41,540,342</u>
Due from insurance or reinsurance companies	3,445,626	3,218,576
Due from brokers or agents	7,534,848	8,472,168
	<u>64,721,100</u>	<u>53,231,086</u>
	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Inside UAE:		
Due from policy holders	55,119,663	42,916,956
Less: Allowances for doubtful debts	(1,379,037)	(1,376,614)
	<u>53,740,626</u>	<u>41,540,342</u>
Due from insurance or reinsurance companies	2,222,372	3,101,375
Due from brokers or agents	7,534,848	8,472,168
	<u>63,497,846</u>	<u>53,113,885</u>
Outside UAE:		
Due from insurance or reinsurance companies	<u>1,223,254</u>	<u>117,201</u>

9 Other receivables and prepayments

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Rent receivable	6,011,529	1,390,889
Accrued interest	2,577,123	2,670,803
Prepayments	2,096,165	1,324,737
Receivable from employees	675,431	660,077
Refundable deposits	197,736	161,135
Others	12,137,631	7,856,880
Less: Allowance for doubtful debts	(1,036,541)	(1,036,541)
	<u>22,659,074</u>	<u>13,027,980</u>

Alliance Insurance (PSC)
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10 Deposits

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
Short term deposits with banks in the UAE	188,610,000	243,250,000
Accrued interest	3,608,899	5,060,742
Total short term deposits	192,218,899	248,310,742
Long term deposits with banks in the UAE	412,900,000	385,905,000
Accrued interest	11,134,143	4,553,719
Total long term deposits	424,034,143	390,458,719
Total deposits	616,253,042	638,769,461

Deposits comprise fixed deposits with banks bearing annual interest at rates ranging from 1.00% to 5.25% (31 December 2017: 1.00% to 5.25%).

11 Accounts payable

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
Payables inside UAE	7,715,184	7,610,880
Payables outside UAE	23,691,878	21,226,853
Other payables	25,731,440	17,331,806
	57,138,502	46,169,539
	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
Inside UAE:		
<i>Accounts payable to:</i>		
Insurance companies	2,190,233	2,226,419
Insurance brokers	5,524,951	5,384,461
Other payables	25,731,440	17,331,806
	33,446,624	24,942,686
Other payables:		
Provision for staff benefits	2,155,020	2,825,726
Rent received in advance	9,440,718	1,106,872
Accruals and provisions	1,668,159	3,326,573
Other payables	12,467,543	10,072,635
	25,731,440	17,331,806
Outside UAE:		
<i>Accounts payable to:</i>		
Reinsurance companies	21,826,175	21,226,853
Insurance companies	1,865,703	-
	23,691,878	21,226,853

Alliance Insurance (PSC)
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12 Basic and diluted earnings per share

	(Unaudited) Three months ended 30 June 2018	(Unaudited) Three months ended 30 June 2017	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 June 2017
Net profit for the period (AED)	12,315,959	10,385,234	26,450,912	23,520,135
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)	12.32	10.39	26.45	23.52

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

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 June 2018 AED	(Audited) 31 December 2017 AED
Due from companies, shareholders and directors	1,041,409	1,788,369

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

14 Related parties (continued)

Transactions with related parties

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

	(Unaudited) Three months ended 30 June 2018 AED	(Unaudited) Three months ended 30 June 2017 AED	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) Six months ended 30 June 2017 AED
Premiums	61,712	876,074	1,601,053	2,421,455
Claims paid	30,088	78,019	73,729	203,446

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

Compensation of key management personnel

	(Unaudited) Six months ended 30 June 2018 AED	(Unaudited) Six months ended 30 June 2017 AED
Key management personnel remuneration including benefits	747,715	737,699

15 Contingences and commitments

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Letters of guarantees	11,372,164	11,362,740

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 30% for the year ended 31 December 2017 representing AED 30 per share amounting to AED 30 million. The dividend was approved at the Annual General Meeting held on 11 April 2018 and subsequently paid on 2 May 2018

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

17 Exposure to Abraj Group

As per circular dated 9 July 2018 from Securities and Commodities Authority of UAE, with respect to the extent of exposure to the Abraj Group of companies, entities were requested to report in their interim financial statements for the six months period ended 30 June 2018, the extent of their exposure to Abraj Group and or any of the related projects. In response to the Circular from the Securities and Commodities Authority regarding the extent of exposure to Abraj Group, the Company reported to the Securities and Commodities Authority on 10 July 2018 that it has nil exposure to Abraj Group.