

Alliance Insurance (PSC)
Dubai - United Arab Emirates

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

Alliance Insurance (PSC)
Condensed interim financial statements (Unaudited)
For the period ended 30 September 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 September 2018, 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 2018, 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 2018, 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, 6 November 2018




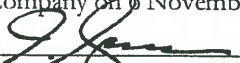
Alliance Insurance (PSC)
Condensed interim statement of financial position of the Company (Unaudited)
At 30 September 2018

	Notes	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Assets			
Property and equipment		5,952,460	6,171,779
Investments at amortised cost	5	214,698,554	212,322,237
Investments carried at fair value through other comprehensive income	6	6,674,197	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		45,718,911	41,390,375
Premiums and insurance balances receivable	8	66,659,201	53,231,086
Reinsurers' share of technical reserves		132,978,091	127,115,136
Other receivables and prepayments	9	21,763,229	13,027,980
Deposits	10	618,638,737	638,769,461
Cash and cash equivalents		27,217,972	16,932,088
Total assets		1,348,309,602	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		43,486,248	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		(4,089,369)	(2,162,061)
Total shareholders' equity		490,374,185	481,630,728
Liabilities			
Retirement benefits obligation		4,930,110	5,081,574
Accounts payable	11	55,478,805	46,169,539
		60,408,915	51,251,113
Insurance liabilities			
Insurance contract liabilities		58,601,393	55,998,959
Premium collected in advance		8,120,165	8,722,384
		66,721,558	64,721,343
Technical provisions			
Unearned premium reserve		87,876,960	70,877,245
Deferred reinsurance commission reserve – net		-	447,432
Claims under settlement reserve		71,677,213	79,574,602
Incurred but not reported reserve		8,248,540	5,286,862
Unallocated loss adjustment expense reserve		463,818	370,837
Unexpired risk reserve		775,553	707,139
Mathematical reserve		561,762,860	570,702,596
Total technical provisions		730,804,944	727,966,713
Total liabilities		857,935,417	843,939,169
Total shareholders' equity and liabilities		1,348,309,602	1,325,569,897

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


 Sheikh Ahmed Bin Saeed Al Maktoum
 Chairman


 Saeed Mohammed Al Kamda
 Vice-Chairman


 Aimen Saba Azara
 Board Member 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 2018

	(Unaudited) Three months ended 30 September 2018 AED	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Gross premiums	66,940,952	57,084,625	224,531,982	212,351,945
Reinsurance share of gross premiums	(33,201,695)	(24,485,139)	(114,817,094)	(101,716,203)
Net premiums	33,739,257	32,599,486	109,714,888	110,635,742
Net transfer to unearned premium reserve	(617,801)	1,046,086	(5,164,663)	(9,564,645)
Net premiums earned	33,121,456	33,645,572	104,550,225	101,071,097
Commissions received	2,000,982	2,091,849	9,932,954	8,897,664
Commissions paid	(2,628,679)	(3,216,622)	(10,209,648)	(10,937,763)
Movement in deferred reinsurance commission reserves – net	1,110,054	487,338	950,911	733,616
Gross underwriting income	33,603,813	33,008,137	105,224,442	99,764,614
Gross claims paid	(13,972,188)	(12,060,890)	(39,541,656)	(26,617,544)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	10,522,626	7,034,779	26,327,873	15,961,117
Net claims paid	(3,449,562)	(5,026,111)	(13,213,783)	(10,656,427)
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	(1,584,494)	613,485	(1,701,260)	(1,566,403)
Earnings and cancellations of life insurance policies	(20,808,640)	(15,944,383)	(58,950,232)	(63,570,480)
Decrease in mathematical reserves	5,868,759	900,955	8,939,736	17,355,788
Net claims incurred	(19,973,937)	(19,456,054)	(64,925,539)	(58,437,522)
Net underwriting income	13,629,876	13,552,083	40,298,903	41,327,092
Income from financial investments	10,394,858	9,975,647	31,391,273	29,924,349
Income from investments property- net	3,283,978	3,362,445	10,576,857	10,867,658
Foreign currency exchange gain	72,799	87,322	281,643	277,806
Other income	477,277	568,444	1,886,063	1,958,758
Total income	27,858,788	27,545,941	84,434,739	84,355,663
General and administrative expenses	(5,728,748)	(5,786,826)	(17,753,446)	(18,569,302)
Bonuses and rebates (net of reinsurance)	(7,192,260)	(7,975,050)	(23,743,378)	(26,888,029)
Other operating expenses	(717,927)	(752,840)	(2,267,150)	(2,346,972)
Net profit for the period	14,219,853	13,031,225	40,670,765	36,551,360
Earnings per share:				
Basic and diluted (Note 12)	14.22	13.03	40.67	36.55

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 2018**

	(Unaudited) Three months ended 30 September 2018 AED	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Net profit for the period	14,219,853	13,031,225	40,670,765	36,551,360
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	(107,073)	856,582	(1,927,308)	190,351
Net realised gain on investments at fair value through other comprehensive income	-	-	-	46,486
Total comprehensive income for the period	14,112,780	13,887,807	38,743,457	36,788,197

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 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	-	40,670,765	-	-	-	-	40,670,765
Net unrealised loss from investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,927,308)	(1,927,308)
Total comprehensive income for the period	-	40,670,765	-	-	-	(1,927,308)	38,743,457
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 September 2018 (Unaudited)	100,000,000	43,486,248	75,283,253	65,694,053	210,000,000	(4,089,369)	490,374,185
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 unrealised loss from investments carried at fair value through other comprehensive income	-	-	-	-	-	190,351	190,351
Net unrealised gain from investments carried at fair value through other comprehensive income	-	46,486	-	-	-	-	46,486
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

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 September 2018

	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Cash flows from operating activities		
Net profit for the period	40,670,765	36,551,360
<i>Adjustments:</i>		
Depreciation	482,401	492,734
Gain on disposal of property and equipment	-	(5,000)
Income from investments at amortised cost	(9,233,050)	(6,931,542)
Decrease in mathematical reserve	(8,939,736)	(17,355,788)
Dividend income	(428,291)	(407,896)
Interest income from deposits	(18,872,909)	(20,305,518)
Interest income from loans guaranteed by life insurance policies	(2,517,632)	(2,279,393)
Income from investment property – net	(10,576,857)	(10,867,658)
Allowance for doubtful debts	2,423	-
Provision for retirement benefit obligation	303,406	553,308
	<u>(9,109,480)</u>	<u>(20,555,393)</u>
<i>Changes in operating assets and liabilities:</i>		
(Increase)/ decrease in premiums and insurance balances receivables, other receivables and prepayments	(15,021,628)	5,253,689
(Increase)/ decrease in reinsurance share of technical reserves	(5,862,955)	8,050,390
Increase in mathematical reserves	11,777,967	2,347,042
Increase/ (decrease) in accounts payable, insurance contract liabilities and premium collected in advance	3,634,936	(19,352,697)
Cash used in operations	(14,581,160)	(24,256,969)
Retirement benefit obligation paid	(454,870)	(104,530)
Net cash used in operating activities	<u>(15,036,030)</u>	<u>(24,361,499)</u>
Cash flows from investing activities		
Purchase of property and equipment	(263,082)	(1,325,923)
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	(1,810,904)	(1,639,025)
Purchase of investments at amortised cost	(2,715,708)	(36,794,794)
Income received on deposits	11,258,772	15,870,872
Income received from investments at amortised cost	8,898,833	6,719,474
Deposits encashed during the period	27,744,861	55,750,000
Dividend income received	428,291	407,896
Income received from investment property	11,780,851	12,202,086
Net cash generated from investing activities	<u>55,321,914</u>	<u>51,284,422</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	10,285,884	1,922,923
Cash and cash equivalents at beginning of period	16,932,088	17,316,783
Cash and cash equivalents at end of the period	<u>27,217,972</u>	<u>19,239,706</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 2018

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Assets		
Property and equipment	3,573,844	3,585,256
Investments at amortised cost	148,378,988	145,969,139
Investment property	116,034,300	116,034,300
Statutory deposits	2,000,000	2,000,000
Loans guaranteed by life insurance policies	45,718,911	41,390,375
Premiums and insurance balances receivable	167,541	235,189
Reinsurers' share of technical reserves	1,623,705	1,809,237
Other receivables and prepayments	7,809,015	3,697,453
Deposits	373,947,187	383,971,206
Cash and cash equivalents	2,955,329	4,462,392
Inter-division balance	138,801,838	150,722,891
Total assets	841,010,658	853,877,438
Shareholders' equity and liabilities		
Issued and paid up share capital	50,000,000	50,000,000
Retained earnings	14,029,329	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	233,993,082	236,021,702
Liabilities		
Retirement benefits obligation	2,650,253	2,858,240
Accounts payable	13,103,540	9,259,935
	15,753,793	12,118,175
Insurance liabilities		
Insurance contract liabilities	17,082,716	21,723,432
Premiums received in advance	8,120,165	8,722,384
	25,202,881	30,445,816
Technical provisions		
Unearned premium reserve	929,027	1,000,934
Deferred reinsurance commission reserve – net	-	(100,032)
Claims under settlement reserve	3,267,402	3,581,794
Incurred but not reported reserve	90,014	94,339
Unallocated loss adjustment expense reserve	11,599	12,114
Mathematical reserve	561,762,860	570,702,596
Total technical provisions	566,060,902	575,291,745
Total liabilities	607,017,576	617,855,736
Total shareholders' equity and liabilities	841,010,658	853,877,438

Alliance Insurance (PSC)

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

	(Unaudited) Three months ended 30 September 2018 AED	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Gross premiums	23,716,354	24,245,977	75,049,049	76,262,751
Reinsurance share of gross premiums	(1,276,226)	(922,981)	(3,172,733)	(2,827,932)
Net premiums	22,440,128	23,322,996	71,876,316	73,434,819
Net transfer to unearned premium reserve	35,892	108,722	(71,291)	239,279
Net premiums earned	22,476,020	23,431,718	71,805,025	73,674,098
Commissions received	47,196	42,475	1,085,621	1,007,587
Commissions paid	(1,833,286)	(2,231,558)	(6,179,068)	(6,945,464)
Movement in deferred reinsurance commission reserve – net	1,570	(8,955)	(10,403)	(7,407)
Gross underwriting income	20,691,500	21,233,680	66,701,175	67,728,814
Gross claims paid	(220,167)	(2,302,290)	(1,813,910)	(2,897,518)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	73,960	1,139,952	709,767	1,394,691
Net claims paid	(146,207)	(1,162,338)	(1,104,143)	(1,502,827)
Movement of outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expense reserve	(352,780)	1,055,766	187,269	(490,664)
Earnings and cancellations of life insurance policies	(20,808,640)	(15,944,383)	(58,950,232)	(63,570,480)
Decrease in mathematical reserves	5,868,759	900,955	8,939,736	17,355,788
Net claims incurred	(15,438,868)	(15,150,000)	(50,927,370)	(48,208,183)
Net underwriting income	5,252,632	6,083,680	15,773,805	19,520,631
Income from financial investments	6,943,722	6,808,264	20,493,629	19,935,998
Income from investment property - net	2,160,381	2,200,026	6,805,532	6,942,121
Foreign currency exchange gain	87,517	101,849	277,929	304,146
Other gain	24,814	68,140	125,012	175,649
Total income	14,469,066	15,261,959	43,475,907	46,878,545
General and administrative expenses	(2,203,102)	(2,155,401)	(6,800,782)	(6,979,891)
Bonuses and rebates (net of reinsurance)	(7,192,260)	(7,975,050)	(23,743,378)	(26,888,029)
Other operating expenses	(79,161)	(96,743)	(280,146)	(277,463)
Net profit for the period	4,994,543	5,034,765	12,651,601	12,733,162

Alliance Insurance (PSC)

Supplementary condensed interim statement of financial position for property and liability insurance (Unaudited)

At 30 September 2018

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Assets		
Property and equipment	2,378,616	2,586,523
Investments at amortised cost	66,319,566	66,353,098
Investments carried at fair value through other comprehensive income	6,674,197	8,601,505
Investments property	81,973,950	81,973,950
Statutory deposits	8,000,000	8,000,000
Premiums and insurance balances receivable	66,491,660	52,995,897
Reinsurers' share of technical reserves	131,354,386	125,305,899
Other receivables and prepayments	13,954,214	9,330,527
Deposits	244,691,550	254,798,255
Cash and cash equivalents	24,262,643	12,469,696
Total assets	646,100,782	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	29,456,919	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	(4,089,369)	(2,162,061)
Total shareholders' equity	256,381,103	245,609,026
Liabilities		
Retirement benefit obligation	2,279,857	2,223,334
Accounts payable	42,375,265	36,909,604
Inter-division balance	138,801,838	150,722,891
	183,456,960	189,855,829
Insurance liabilities		
Insurance contract liabilities	41,518,677	34,275,527
Technical provisions		
Unearned premium reserve	86,947,933	69,876,311
Deferred reinsurance commission reserve – net	-	547,464
Claims under settlement reserve	68,409,811	75,992,808
Incurred but not reported reserve	8,158,526	5,192,523
Unallocated loss adjustment expense reserve	452,219	358,723
Unexpired risk reserve	775,553	707,139
Total technical provisions	164,744,042	152,674,968
Total liabilities	389,719,679	376,806,324
Total shareholders' equity and liabilities	646,100,782	622,415,350

Alliance Insurance (PSC)

Supplementary condensed interim income statement for property and liability insurance (Unaudited)

For the period ended 30 September 2018

	(Unaudited) Three months ended 30 September 2018 AED	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Gross premiums	43,224,598	32,838,648	149,482,933	136,089,194
Reinsurance share of gross premiums	(31,925,469)	(23,562,158)	(111,644,361)	(98,888,271)
Net premiums	11,299,129	9,276,490	37,838,572	37,200,923
Net transfer to unearned premium reserve	(653,693)	937,364	(5,093,372)	(9,803,924)
Net premiums earned	10,645,436	10,213,854	32,745,200	27,396,999
Commissions received	1,953,786	2,049,374	8,847,333	7,890,077
Commissions paid	(795,393)	(985,064)	(4,030,580)	(3,992,299)
Movement in deferred reinsurance commission reserve – net	1,108,484	496,293	961,314	741,023
Gross underwriting income	12,912,313	11,774,457	38,523,267	32,035,800
Gross claims paid	(13,752,021)	(9,758,600)	(37,727,746)	(23,720,026)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	10,448,666	5,894,827	25,618,106	14,566,426
Net claims paid	(3,303,355)	(3,863,773)	(12,109,640)	(9,153,600)
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	(1,231,714)	(442,281)	(1,888,529)	(1,075,739)
Net claims incurred	(4,535,069)	(4,306,054)	(13,998,169)	(10,229,339)
Net underwriting income	8,377,244	7,468,403	24,525,098	21,806,461
Income from financial investments	3,451,136	3,167,383	10,897,644	9,988,351
Income from investment property -net	1,123,597	1,162,419	3,771,325	3,925,537
Foreign currency exchange gain	(14,718)	(14,527)	3,714	(26,340)
Other gain	452,463	500,304	1,761,051	1,783,109
Total income	13,389,722	12,283,982	40,958,832	37,477,118
General and administrative expenses	(3,525,646)	(3,631,425)	(10,952,664)	(11,589,411)
Other operating expenses	(638,766)	(656,097)	(1,987,004)	(2,069,509)
Net profit for the period	9,225,310	7,996,460	28,019,164	23,818,198

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 months period ended 30 September 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 as disclosed in the Company’s most recent annual financial statements for the year ended 31 December 2017, are applicable on the Company and are detailed below;

- IFRS 9 ‘Financial Instruments’
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The adoption of the new and amended standards and interpretations have been reflected in these condensed interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Company during the period.

IFRS 9 “Financial Instruments

The finalised version of IFRS 9 “Financial instruments” was issued in July 2014 mainly to include a) impairment requirements of financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive FVTOCI)” measurement category for certain debt instruments.

The Company has earlier adopted the first phase of the IFRS 9 with regards to classification and measurement of financial instruments and adopted the final phase of IFRS 9 (impairment and hedge accounting) on the effective date from 1 January 2018, which resulted in changes in accounting policies for impairment of financial assets.

3 Summary of significant accounting policies (continued)

IFRS 9 “Financial Instruments (continued)”

The Company made an assessment of the financial impact particularly with regards to the impairment of financial assets for the comparative periods and was deemed to be immaterial. Consequently, adjustments to the amounts previously recognized in the annual consolidated financial statements were not restated or adjusted against opening retained earnings of the current period.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 “Financial Instruments: Disclosures”.

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, except as mentioned below:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance (ECL) for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparties defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements of measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number of relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

Alliance Insurance (PSC)
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5 Investments at amortised cost

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Quoted bonds	147,992,150	145,698,268
Unquoted bonds	66,706,404	66,623,969
	<u>214,698,554</u>	<u>212,322,237</u>

The bonds carry interest at the rates ranging from 4.75% to 7.5% (2017: 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) 30 September 2018 AED	(Audited) 31 December 2017 AED
<i>Equity securities in the UAE market:</i>		
Quoted	<u>6,674,197</u>	<u>8,601,505</u>

The decrease in value is purely on account of the decrease in share price of the quoted securities.

7 Investment property

Investment property comprises two commercial buildings in Dubai, UAE.

Management estimates that there has been no significant change in the fair value of investment property. Investment property is classified as Level 3 in the fair value hierarchy as at 30 September 2018 (31 December 2017: Level 3).

8 Premiums and insurance balances receivable

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Due from policyholders	59,465,592	42,916,956
Less: Allowance for doubtful debts	<u>(1,379,037)</u>	<u>(1,376,614)</u>
	58,086,555	41,540,342
Due from insurance or reinsurance companies	3,019,252	3,218,576
Due from brokers or agents	<u>5,553,394</u>	<u>8,472,168</u>
	<u>66,659,201</u>	<u>53,231,086</u>

Alliance Insurance (PSC)
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8 Premiums and insurance balances receivable (continued)

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Inside UAE:		
Due from policy holders	59,465,592	42,916,956
Less: Allowances for doubtful debts	(1,379,037)	(1,376,614)
	<u>58,086,555</u>	<u>41,540,342</u>
Due from insurance or reinsurance companies	2,351,307	3,101,375
Due from brokers or agents	5,553,394	8,472,168
	<u>65,991,256</u>	<u>53,113,885</u>
Outside UAE:		
Due from insurance or reinsurance companies	667,945	117,201

9 Other receivables and prepayments

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Rent receivable	4,904,575	1,390,889
Accrued interest	3,372,432	2,670,803
Prepayments	2,426,913	1,324,737
Receivable from employees	541,502	660,077
Refundable deposits	184,592	161,135
Others	11,369,756	7,856,880
Less: Allowance for doubtful debts	(1,036,541)	(1,036,541)
	<u>21,763,229</u>	<u>13,027,980</u>

10 Deposits

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Short term deposits with banks in the UAE	133,910,139	243,250,000
Accrued interest	1,557,738	5,060,742
Total short term deposits	<u>135,467,877</u>	<u>248,310,742</u>
Long term deposits with banks in the UAE	467,500,000	385,905,000
Accrued interest	15,670,860	4,553,719
Total long term deposits	<u>483,170,860</u>	<u>390,458,719</u>
Total deposits	<u>618,638,737</u>	<u>638,769,461</u>

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%).

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11 Accounts payable

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Payables inside UAE	6,923,284	7,610,880
Payables outside UAE	25,941,087	21,226,853
Other payables	22,614,434	17,331,806
	<u>55,478,805</u>	<u>46,169,539</u>
	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Inside UAE:		
<i>Accounts payable to:</i>		
Insurance companies	2,014,116	2,226,419
Insurance brokers	4,909,168	5,384,461
Other payables	22,614,434	17,331,806
	<u>29,537,718</u>	<u>24,942,686</u>
Other payables:		
Provision for staff benefits	1,931,476	2,825,726
Rent received in advance	5,824,552	1,106,872
Accruals and provisions	1,491,078	3,326,573
Other payables	13,367,328	10,072,635
	<u>22,614,434</u>	<u>17,331,806</u>
Outside UAE:		
<i>Accounts payable to:</i>		
Reinsurance companies	25,477,452	21,226,853
Insurance companies	463,635	-
	<u>25,941,087</u>	<u>21,226,853</u>

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

	(Unaudited) Three months ended 30 September 2018	(Unaudited) Three months ended 30 September 2017	(Unaudited) Nine months ended 30 September 2018	(Unaudited) Nine months ended 30 September 2017
Net profit for the period (AED)	14,219,853	13,031,225	40,670,765	36,551,360
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)	14.22	13.03	40.67	36.55

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 related parties are as follows:

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Due from companies, shareholders and directors	863,131	1,788,369

The above balances are included in premiums and insurance balances receivable. There are nil due to related party balances.

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 September 2018 AED	(Unaudited) Three months ended 30 September 2017 AED	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Premiums	443,145	299,621	2,044,198	2,721,076
Claims paid	125,928	148,656	199,657	352,102

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

Compensation of key management personnel

	(Unaudited) Nine months ended 30 September 2018 AED	(Unaudited) Nine months ended 30 September 2017 AED
Key management personnel remuneration including benefits	1,141,247	1,108,604

15 Contingences and commitments

	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2017 AED
Letters of guarantees	11,462,979	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 nine months period ended 30 September 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.