

**United Insurance Company P.S.C.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 2015 (UNAUDITED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNITED INSURANCE COMPANY P.S.C.**

### ***Introduction***

We have reviewed the accompanying interim condensed financial statements of United Insurance Company P.S.C. as at 30 June 2015, comprising the interim statement of financial position as at 30 June 2015 and the related interim statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in equity and cash flows for the six-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with 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. Consequently, it 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

### ***Other matters***

The interim condensed financial statements of the Company as of 30 June 2014 were reviewed by another auditor whose report dated 24 July 2014 expressed an unqualified conclusion on those interim condensed financial statements. Also, the financial statements as of 31 December 2014 were audited by another auditor whose report dated 29 March 2015 expressed an unqualified opinion on those financial statements.



Signed by:  
Ashraf Abu-Sharkh  
Partner  
Registration number: 690

13 August 2015

Dubai, United Arab Emirates

United Insurance Company P.S.C.

INTERIM STATEMENT OF INCOME

For the period ended 30 June 2015 (Unaudited)

	<i>Note</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2015 AED</i>	<i>2014 AED</i>	<i>2015 AED</i>	<i>2014 AED</i>
<b>UNDERWRITING INCOME</b>					
Gross premium		33,579,535	37,674,583	74,515,640	116,397,477
Movement in provision for unearned premium		(3,170,683)	8,752,318	11,956,369	(15,273,729)
Insurance premium revenue		<u>30,408,852</u>	<u>46,426,901</u>	<u>86,472,009</u>	<u>101,123,748</u>
Reinsurance share of premium		(15,302,234)	(11,950,207)	(36,629,203)	(41,096,180)
Movement in provision for reinsurance share of unearned premium		<u>1,326,140</u>	<u>2,654,983</u>	<u>(1,816,710)</u>	<u>13,880,275</u>
		<u>(13,976,094)</u>	<u>(9,295,224)</u>	<u>(38,445,913)</u>	<u>(27,215,905)</u>
Net insurance premium revenue		16,432,758	37,131,677	48,026,096	73,907,843
Reinsurance commission income		2,865,256	3,473,947	7,869,262	11,224,565
Other income		9,199	3,217	39,127	102,963
<b>Total underwriting income</b>		<u>19,307,213</u>	<u>40,608,841</u>	<u>55,934,485</u>	<u>85,235,371</u>
<b>UNDERWRITING EXPENSES</b>					
Gross claims incurred		(33,664,381)	(47,758,122)	(100,522,610)	(92,727,918)
Reinsurers' share of claims		<u>12,535,297</u>	<u>7,728,336</u>	<u>40,867,110</u>	<u>11,736,658</u>
Net claims incurred		(21,129,084)	(40,029,786)	(59,655,500)	(80,991,260)
Commission expenses		(3,593,119)	(3,680,520)	(7,202,604)	(11,783,417)
General and administrative expenses relating to underwriting activities		<u>(6,641,787)</u>	<u>(5,721,562)</u>	<u>(13,258,945)</u>	<u>(12,673,014)</u>
<b>Total underwriting expenses</b>		<u>(31,363,990)</u>	<u>(49,431,868)</u>	<u>(80,117,049)</u>	<u>(105,447,691)</u>
<b>NET UNDERWRITING LOSS</b>		<u>(12,056,777)</u>	<u>(8,823,027)</u>	<u>(24,182,564)</u>	<u>(20,212,320)</u>
<b>INVESTMENT INCOME</b>					
Gain on sale of available-for-sale investments		726,526	-	4,181,021	-
(Loss)/gain on sale of investments at fair value through profit or loss		<u>(54,566)</u>	-	<u>(11,623)</u>	185,674
Fair value gain on investments at fair value through profit or loss		115,079	167,551	115,079	355
Other investment income		<u>2,114,690</u>	<u>1,810,899</u>	<u>4,016,778</u>	<u>4,478,519</u>
		<u>2,901,729</u>	<u>1,978,450</u>	<u>8,301,255</u>	<u>4,664,548</u>
<b>OTHER EXPENSES</b>					
General and administrative expenses not allocated		(369,568)	(301,135)	(697,839)	(667,001)
Finance costs		<u>(40,632)</u>	-	<u>(60,632)</u>	-
		<u>(410,200)</u>	<u>(301,135)</u>	<u>(758,471)</u>	<u>(667,001)</u>
<b>LOSS FOR THE PERIOD</b>		<u>(9,565,248)</u>	<u>(7,145,712)</u>	<u>(16,639,780)</u>	<u>(16,214,773)</u>
Basic and diluted loss per share (AED)	3	<u>(0.096)</u>	<u>(0.074)</u>	<u>(0.166)</u>	<u>(0.165)</u>

The attached explanatory notes 1 to 20 form part of these interim condensed financial statements.

United Insurance Company P.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2015 (Unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2015 AED</i>	<i>2014 AED</i>	<i>2015 AED</i>	<i>2014 AED</i>
Loss for the period	<u>(9,565,248)</u>	<u>(7,145,712)</u>	<u>(16,639,780)</u>	<u>(16,214,773)</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Net increase/decrease in fair value of available-for-sale investments	1,029,899	(2,003,630)	(623,639)	4,057,036
Net realised gain on disposal of available-for-sale investments transferred to income statement	(726,526)	-	(4,181,021)	-
<b>Other comprehensive income / (loss) for the period</b>	<u>303,373</u>	<u>(2,003,630)</u>	<u>(4,804,660)</u>	<u>4,057,036</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><b>(9,261,875)</b></u>	<u><b>(9,149,342)</b></u>	<u><b>(21,444,440)</b></u>	<u><b>(12,157,737)</b></u>

The attached explanatory notes 1 to 20 form part of these interim condensed financial statements.

# United Insurance Company P.S.C.

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 (Unaudited)

		<i>30 June</i>	<i>(Audited)</i>
		<i>2015</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED</i>	<i>2014</i>
			<i>AED</i>
<b>ASSETS</b>			
Property and equipment		1,197,405	1,408,715
Investment properties	4	58,500,000	58,500,000
Financial instruments	5	36,220,101	43,392,211
Statutory deposit	6	6,000,000	6,000,000
Reinsurance assets	7	88,114,940	64,229,949
Insurance and other receivables	8	61,948,273	64,326,388
Bank balances and cash	9	27,015,768	45,989,779
<b>TOTAL ASSETS</b>		<b>278,996,487</b>	<b>283,847,042</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	100,000,000	100,000,000
Statutory reserve	11	28,813,026	28,813,026
General reserve	11	2,969,044	2,969,044
Accumulated losses		(90,052,218)	(73,412,438)
Investment revaluation reserve	11	14,338,898	19,143,558
<b>Total equity</b>		<b>56,068,750</b>	<b>77,513,190</b>
<b>Liabilities</b>			
Bank overdraft	12	9,391,898	9,597,680
Employees' end of service benefits		1,679,120	1,681,446
Insurance contract liabilities	7	142,370,016	122,951,628
Insurance and other payables		69,486,703	72,103,098
<b>Total liabilities</b>		<b>222,927,737</b>	<b>206,333,852</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>278,996,487</b>	<b>283,847,042</b>

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 13 August 2015.

Chairman

General Manager

The attached explanatory notes 1 to 20 form part of these interim condensed financial statements.

United Insurance Company P.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2015 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Accumulated losses AED	Investment revaluation reserve AED	Total AED
Balance at 31 December 2014 (audited)	100,000,000	28,813,026	2,969,044	(73,412,438)	19,143,558	77,513,190
Loss for the period	-	-	-	(16,639,780)	-	(16,639,780)
Other comprehensive loss for the period	-	-	-	-	(4,804,660)	(4,804,660)
Total comprehensive loss for the period	-	-	-	(16,639,780)	(4,804,660)	(21,444,440)
<b>Balance at 30 June 2015 (unaudited)</b>	<b>100,000,000</b>	<b>28,813,026</b>	<b>2,969,044</b>	<b>(90,052,218)</b>	<b>14,338,898</b>	<b>56,068,750</b>
Balance at 31 December 2013 (audited)	100,000,000	28,813,026	2,969,044	(14,326,758)	21,787,916	139,243,228
Loss for the period	-	-	-	(16,214,773)	-	(16,214,773)
Other comprehensive income for the period	-	-	-	-	4,057,036	4,057,036
Total comprehensive (loss)/income for the period	-	-	-	(16,214,773)	4,057,036	(12,157,737)
Dividend paid during the period (Note 19)	-	-	-	(7,000,000)	-	(7,000,000)
Directors' fee paid during the period (Note 20)	-	-	-	(260,000)	-	(260,000)
<b>Balance at 30 June 2014 (unaudited)</b>	<b>100,000,000</b>	<b>28,813,026</b>	<b>2,969,044</b>	<b>(37,801,531)</b>	<b>25,844,952</b>	<b>119,825,491</b>

The attached explanatory notes 1 to 20 form part of these interim condensed financial statements.

United Insurance Company P.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 June 2015 (Unaudited)

	Note	<i>Six months ended 30 June</i>	
		<i>2015 AED</i>	<i>2014 AED</i>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(16,639,780)	(16,214,773)
Adjustments for:			
Depreciation on property and equipment		272,747	314,756
Provision for employees' end of service benefits		229,137	183,253
Investment Income		(8,301,255)	(4,664,548)
		<u>(24,439,151)</u>	<u>(20,381,312)</u>
Changes in operating assets and liabilities:			
Reinsurance assets		(23,884,991)	(7,485,269)
Insurance and other receivables		2,378,115	(8,890,840)
Insurance contract liabilities		19,418,388	18,835,269
Insurance and other payables		(2,616,395)	14,678,598
		<u>(29,144,034)</u>	<u>(3,243,554)</u>
Cash used in operations		(29,144,034)	(3,243,554)
Employees' end of service benefits paid		(231,463)	(304,869)
		<u>(29,375,497)</u>	<u>(3,548,423)</u>
<b>INVESTING ACTIVITIES</b>			
Decrease / (increase) in fixed deposits		19,477,603	(698,812)
Proceeds from disposal of investments at fair value through profit or loss		56,957	1,429,019
Proceeds from disposal of available-for-sale investments		9,417,695	-
Purchase of available-for-sale investments		(2,822,725)	(4,765,512)
Purchase of property and equipment		(61,437)	(210,572)
Income from investment properties received		1,674,707	1,384,382
Interest income		243,726	478,076
Dividend income		2,098,345	2,616,061
		<u>30,084,871</u>	<u>232,642</u>
Net cash from investing activities		30,084,871	232,642
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-	(7,000,000)
Directors' fee paid		-	(260,000)
		<u>-</u>	<u>(7,260,000)</u>
Net cash used in financing activities		-	(7,260,000)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>709,374</b>	<b>(10,575,781)</b>
Cash and cash equivalents at 1 January		(3,369,967)	79,662,839
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	16	<b>(2,660,593)</b>	<b>69,087,058</b>

The attached explanatory notes 1 to 20 form part of these interim condensed financial statements.

## 1 CORPORATE INFORMATION

United Insurance Company P.S.C. (the “Company”) is a public shareholding company, registered in the Emirate of Ras Al Khaimah by Emiri decree No. 13/76 issued by the ruler of Ras Al Khaimah on 15 June 1976, which was amended by the Emiri decree No. 10/77 issued on 15 December 1977. The company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning Establishment of Insurance Authority and Organization of its Operations, and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 8.

The Company is domiciled in the United Arab Emirates and the address of the Company’s registered office is P.O. Box 1010, Ras Al Khaimah, United Arab Emirates. The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance other than life assurance. The Company operates through its Head Office in Ras Al Khaimah and branch offices in Abu Dhabi, Dubai, Sharjah and Fujairah.

As per Article 285 of the Federal Law no. 8 of 1984 as amended by Federal Law no. 13 of 1988 Commercial Companies, when the Company sustains loss amounting to one half of the capital, the Board of Directors are required to convene an Extra-Ordinary General meeting and resolve whether the Company shall be maintained or dissolved. An Extra-Ordinary General meeting was convened on 2 July 2015 and a resolution was passed for the increase of AED 50,000,000 in the share capital by rights issue of shares and then to offset accumulated losses against share capital and reserves. Management has started the procedures for these intended changes in the equity.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The interim condensed financial statements of the Company are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company’s transactions are determined.

These condensed financial statements have been prepared on historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value. Historically, cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2014.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 2014. In addition, results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The Company’s insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2014.

The accounting policies disclosed in the annual audited financial statements for the year ended 31 December 2014 are stated in note 2.3 as required by Securities and Commodities Authority notification dated 12 October 2008.



## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.2 New and revised accounting standards and interpretations

#### Interim reporting

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2014 except for the adoption of the following amendment which became effective as of 1 January 2015:

#### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

The adoption of this amendment did not have an impact on the financial position or performance of the Company during the period. Annual Improvements 2010-2012 cycle and 2011-2013 cycle which became effective from 1 July 2014 also did not have an impact on the financial position or performance of the Company during the period.

The standards and amendments that are issued, but not yet effective are disclosed below. These standards and amendments will become effective for annual periods beginning on or after the dates as mentioned below. The Company intends to adopt these standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
• IFRS 9 Financial Instruments	1 January 2018
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• Annual Improvements 2012-2014 Cycle that include Amendments to IFRS 5, IFRS 7 and IAS 19	1 July 2016
• Amendments to IAS 16 Property, Plant and Equipment	1 January 2016
• Amendments to IAS 38 Intangible Assets	1 January 2016
• Amendments to IFRS 11 Joint Arrangements	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
• Amendments to IAS 41 Agriculture	1 January 2016
• Amendments to IAS 27	1 January 2016
• Amendments to IAS 1	1 January 2016
• Amendments to IAS 16 and IAS 41	1 January 2016

Management anticipates that these new standards, amendments and improvements will be adopted in the Company's condensed financial statements for the period of initial application and adoption of these new standards, amendments and improvements, except for IFRS 9, may have no material impact on the condensed financial statements of the Company in the period of initial application.

The application of the final version of IFRS 9 may have a significant impact on amounts reported and disclosures made in the Company's condensed financial statements in respect of Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effects of the application until the Company performs a detailed review.

### 2.3 Summary of Significant Accounting Policies

#### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any identified impairment losses. Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.3 Summary of Significant Accounting Policies (continued)**

**Property and equipment (continued)**

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

The useful life considered in the calculation of depreciation for all the assets is 5 years.

**Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of income.

**Financial Assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Company has the following financial assets: insurance and other receivables (except prepaid expenses) and statutory deposits which collectively are classified as 'loans and receivables' and bank balances and cash. Financial assets also include investments which are classified either as 'fair value through profit or loss' (FVTPL) – held for trading investments or as available-for-sale (AFS). The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the condensed statement of financial position.

**Loans and Receivables**

Loans and receivables are measured at amortised costs using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

**Investments**

Investments of the Company are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.3 Summary of Significant Accounting Policies (continued)**

**Financial Assets at FVTPL – Investment held for trading**

Financial assets are classified as at Fair Value Through Profit or Loss (“FVTPL”) where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of income.

**Available-For-Sale (“AFS”) Investments**

AFS investments comprise listed shares held by the Company traded in an active market and are stated at fair value. Gains and losses arising from the changes in the fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to the statement of income.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in the statement of income are determined based on the amortised cost of the monetary asset.

Dividend on available for sale investments are recognised in the statement of income when the Company’s right to receive dividend is established.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an AFS investment is considered to be impaired, cumulative gains or losses previous recognised in the other comprehensive income are reclassified into the statement of income.

In respect of AFS investments, impairment losses previously recognised in the statement of income are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised in the other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance and other receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of income.

For certain categories of financial assets, such as insurance and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.3 Summary of Significant Accounting Policies (continued)**

**Impairment of financial assets (continued)**

If in the subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of income to the extent of the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

**3 BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share is calculated by dividing the net loss for the period, net of directors' fees, by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>
Loss for the period (AED)	<b>(9,565,248)</b>	(7,145,712)	<b>(16,639,780)</b>	(16,214,773)
Less: Directors' fees paid (AED)	-	(260,000)	-	(260,000)
<b>Adjusted loss for the period (AED)</b>	<b><u>(9,565,248)</u></b>	<b><u>(7,405,712)</u></b>	<b><u>(16,639,780)</u></b>	<b><u>(16,474,773)</u></b>
Weighted average number of shares outstanding during the period	<b><u>100,000,000</u></b>	<u>100,000,000</u>	<b><u>100,000,000</u></b>	<u>100,000,000</u>
Loss per share (AED)	<b><u>(0.096)</u></b>	<u>(0.074)</u>	<b><u>(0.166)</u></b>	<u>(0.165)</u>

No figures for diluted loss per share are presented as the Company has not issued any instruments which would have an impact on loss per share when exercised.

**4 INVESTMENT PROPERTIES**

Investment properties represent the fair value of the properties which are located in the U.A.E.

Investment properties are stated at fair value, which has been principally determined based on valuations performed by management at the end of the period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded in the statement of income.

Fair value of the Company's investment properties are based on unobservable inputs (i.e. Level 3).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

**5 FINANCIAL INSTRUMENTS**

**Available- for-sale investments**

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
<i>Quoted Equity Securities</i>		
Within UAE	29,135,768	36,536,264
Outside UAE	4,804,100	4,622,214
	<u>33,939,868</u>	<u>41,158,478</u>

**Investments at fair value through profit or loss**

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
<i>Unquoted Mutual fund units</i>		
Within UAE	10,000	10,000
Outside UAE	2,270,233	2,223,733
	<u>2,280,233</u>	<u>2,233,733</u>

**6 STATUTORY DEPOSIT**

Statutory deposit is maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and is not available to finance the day to day operations of the Company.

**7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Claims reported unsettled	84,628,470	52,755,755
Claims incurred but not reported	5,327,137	5,825,095
Unearned Premiums	52,414,409	64,370,778
	<u>142,370,016</u>	<u>122,951,628</u>
<i>Reinsurance assets:</i>		
Claims reported unsettled	65,208,526	39,506,825
Unearned Premiums	22,906,414	24,723,124
	<u>88,114,940</u>	<u>64,229,949</u>
<i>Insurance contract liabilities - net</i>		
Claims reported unsettled	19,419,944	13,248,930
Claims incurred but not reported	5,327,137	5,825,095
Unearned Premiums	29,507,995	39,647,654
	<u>54,255,076</u>	<u>58,721,679</u>

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

### 8 INSURANCE AND OTHER RECEIVABLES

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
<i>Receivables arising from insurance and reinsurance contracts</i>		
Due from policyholders	63,485,151	59,791,944
Due from insurance companies	10,107,803	6,981,801
Due from reinsurance companies	6,455,832	12,628,745
	<u>80,048,786</u>	<u>79,402,490</u>
Allowance for doubtful debts	<u>(21,814,518)</u>	<u>(20,926,145)</u>
	<u>58,234,268</u>	<u>58,476,345</u>
<i>Other receivables</i>		
Advance payments	1,470,945	3,637,683
Prepayments and others	2,243,060	2,212,360
	<u>61,948,273</u>	<u>64,326,388</u>

### 9 BANK BALANCES AND CASH

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
Current accounts and cash	2,270,924	4,832,366
Call accounts	4,460,381	1,395,347
Fixed deposits	20,284,463	39,762,066
	<u>27,015,768</u>	<u>45,989,779</u>

Bank balances are maintained with banks in U.A.E. The annual interest rate on fixed deposits ranges from 0.5% to 1.75% (31 December 2014 : 1.20% to 2.80%) and all the fixed deposits mature within one year.

### 10 SHARE CAPITAL

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
<i>Issued and fully paid</i>		
100,000,000 shares of AED 1 each (2014: 100,000,000 shares of AED 1 each)	<u>100,000,000</u>	<u>100,000,000</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

**11 RESERVES**

**NATURE AND PURPOSE OF RESERVES**

• **STATUTORY RESERVE**

In accordance with the Company's Articles of Association and the UAE Federal Law No. 8 of 1984, as amended, 10% of the net profit of the Company is transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the company. This reserve is not available for distribution except for circumstances permitted by law. Transfer is based on full year results and, accordingly, no transfer has been made during the six months period ended 30 June 2015.

• **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors and approved by the Shareholders' at the Annual General Meeting. This reserve may be used for such purposes as deemed appropriate by the Board of Directors, approved by a Shareholders' resolution.

• **INVESTMENT REVALAUTION RESERVE**

This reserve records fair value changes on available-for sale investments.

**12 BANK OVERDRAFT**

Bank Overdraft carries interest at base lending rate which ranges from 2.75% to 3.00% per annum (31 December: 2014: 2.60% to 3.00%)

**13 RELATED PARTY TRANSACTIONS**

The company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting standard (IAS 24): *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties. At the reporting date, amount due from/to related parties were included in the following accounts

At the reporting date due from/to related parties were as follows:

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
Due from policyholders	7,703,006	5,339,320
Due to policy holders	56,822	136,069

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by the related parties

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2015 AED (Unaudited)</i>	<i>2014 AED (Unaudited)</i>	<i>2015 AED (Unaudited)</i>	<i>2014 AED (Unaudited)</i>
Gross premium	1,561,532	2,233,416	11,541,060	10,850,908
Claims Paid	(4,011,229)	(2,424,323)	(5,209,017)	(5,035,763)
Remuneration of key management personnel	180,000	285,000	360,000	570,000
Board of Directors' remuneration	-	-	-	260,000

Premiums are charged to related parties at rates agreed with the management.

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

### 14 CONTINGENT LIABILITIES

At 30 June 2015, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 5,905,870 (31 December 2014: AED 5,396,833).

#### *Legal claims*

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

### 15 SEGMENTAL INFORMATION

For Management purposes, the Company is organized into two business segments, general insurance and investments.

The general insurance segment comprise property, fire, marine, motor, medical, general accident and miscellaneous risks.

Investments comprises investments held for trading, AFS investments, investment properties and fixed deposits.

These segments are the basis on which the company reports its primary segment information to the Chief Operating Decision Maker. The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3 to the annual audited financial statements of the Company

Operating segment information is presented below:

	<i>Underwriting</i>		<i>Investments</i>		<i>Total</i>	
	<i>30 June 2015 AED</i>	<i>30 June 2014 AED</i>	<i>30 June 2015 AED</i>	<i>30 June 2014 AED</i>	<i>30 June 2015 AED</i>	<i>30 June 2014 AED</i>
<b>Six months ended 30 June</b>						
<b>Segment revenue - Gross</b>	<b>74,515,640</b>	<b>116,397,477</b>	<b>-</b>	<b>-</b>	<b>74,515,640</b>	<b>116,397,477</b>
<b>Segment Result</b>	<b>(24,182,564)</b>	<b>(20,212,320)</b>	<b>8,301,255</b>	<b>4,664,548</b>	<b>(15,881,309)</b>	<b>(15,547,772)</b>
Unallocated cost (net)					<b>(758,471)</b>	<b>(667,001)</b>
<b>Loss for the period</b>					<b>(16,639,780)</b>	<b>(16,214,773)</b>
	<i>Underwriting</i>		<i>Investments</i>		<i>Total</i>	
	<i>30 June 2015 AED</i>	<i>30 December 2014 AED (Audited)</i>	<i>30 June 2015 AED</i>	<i>30 December 2014 AED (Audited)</i>	<i>30 June 2015 AED</i>	<i>30 December 2014 AED (Audited)</i>
<b>Segment Assets</b>	<b>156,063,213</b>	<b>134,556,337</b>	<b>115,004,564</b>	<b>141,654,277</b>	<b>271,067,777</b>	<b>276,210,614</b>
Unallocated Assets					<b>7,928,710</b>	<b>7,636,428</b>
<b>Total Assets</b>					<b>278,996,487</b>	<b>283,847,042</b>
<b>Segment Liabilities</b>	<b>221,248,617</b>	<b>204,652,406</b>	<b>-</b>	<b>-</b>	<b>221,248,617</b>	<b>204,652,406</b>
Unallocated Liabilities					<b>1,679,120</b>	<b>1,681,446</b>
<b>Total Liabilities</b>					<b>222,927,737</b>	<b>206,333,852</b>

There are no transactions between the business segments.



# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

### 15 SEGMENTAL INFORMATION (continued)

The following is an analysis of the Company's revenues classified by major underwriting departments:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Motor	18,480,144	28,859,356	31,710,416	74,228,010
Marine	875,072	1,153,760	1,952,212	2,150,152
Medical	6,462,057	4,107,882	23,036,694	20,354,924
Fire	5,115,659	3,096,074	9,896,270	9,446,641
Engineering, Property, general Accidents and others	2,646,603	457,511	7,920,048	10,217,750
	<u>33,579,535</u>	<u>37,674,583</u>	<u>74,515,640</u>	<u>116,397,477</u>

### 16 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2015</i> <i>AED</i> <i>(Unaudited)</i>	<i>30 June</i> <i>2014</i> <i>AED</i> <i>(Unaudited)</i>
Bank balances and cash	27,015,768	88,849,124
Fixed deposits with original maturity over three months	(20,284,463)	(19,762,066)
Bank overdraft	(9,391,898)	-
	<u>(2,660,593)</u>	<u>69,087,058</u>

### 17 SEASONALITY OF RESULTS

Investment income includes dividend income of AED 2,098,345 (30 June 2014: AED 2,616,061) which is of a seasonal nature. Dividend income depends on market conditions, investment activities of the Company and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 June 2015 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2015.

### 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

#### *Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognized at amortised cost in the condensed financial statements approximate their fair values:

#### *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2014.

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2015 (Unaudited)

### 18 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Fair value of the Company's financial assets that are measured at fair value on recurring basis.*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

*Level 1:* Quoted (unadjusted) prices in active markets for identical assets or liabilities

*Level 2:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

*Level 3:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**30 June 2015(Unaudited)**

	<i>Fair value as at 30 June 2015 (Unaudited) AED</i>	<i>31 December 2014 (Audited) AED</i>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
<i>Available-for-sale</i>					
Quoted Investments	33,939,868	41,158,478	Level 1	Quoted bid prices in an active market	N/A
<i>Investments Held for trading</i>					
Unquoted Investments	2,280,233	2,233,733	Level 3	Net assets valuation Method	N/A

There were no transfers between each of the level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

*Reconciliation of Level 3 Fair value measurement of financial assets measured at fair value:*

	<i>30 June 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
Opening balance	2,233,733	3,638,985
Disposal during the period/year	(68,579)	(1,253,041)
Fair value adjustment	115,079	(152,211)
	<u>2,280,233</u>	<u>2,233,733</u>

### 19 DIVIDENDS

For the period ended 30 June 2014, the shareholders approved and paid a cash dividend of AED 7 Fils per share (total dividend AED 7 Million) at the Annual General Meeting held on 20 March 2014.

### 20 DIRECTORS' FEE PAID

Directors' fee amounting to AED 260,000 paid during the period ended 30 June 2014 which pertains to 2013 and approved by the shareholders at the Annual General Meeting held on 20 March 2014.