

**United Insurance Company (PSC)**  
(Public Shareholding Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 MARCH 2017 (UNAUDITED)**



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## **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 31 March 2017, comprising the interim statement of financial position as at 31 March 2017 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three 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.

### ***Material uncertainty related to going concern***

The Company incurred a loss of AED 3,224,011 (2016: AED 4,953,408) for the three months ended 31 March 2017 and, as of that date, it had accumulated losses which amounted to AED 141,250,209 (31 December 2016: AED 138,026,198) and deficiency of assets which amounted to AED 4,272,691 (31 December 2016: AED 817,693). These conditions indicate the existence of an uncertainty about the Company's ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis based on restructuring plans which are under implementation as referred to in Note 1. Our conclusion is not qualified in respect of this matter.

For Ernst & Young

Anthony O' Sullivan  
Partner  
Registration number: 687

14 May 2017

Dubai, United Arab Emirates

# United Insurance Company (PSC)

## INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2017 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March (Unaudited)</i>	
		<i>2017 AED</i>	<i>2016 AED</i>
<b>UNDERWRITING INCOME</b>			
Gross premium		28,797,028	27,847,278
Movement in provision for unearned premium		(12,753,590)	(2,268,807)
Movement in premium deficiency reserve		(227,128)	3,927,000
Insurance premium revenue		<u>15,816,310</u>	<u>29,505,471</u>
Reinsurance share of premium		(17,058,340)	(20,211,077)
Movement in provision for reinsurance share of unearned premium		6,772,424	6,988,829
Reinsurance share of premium revenue		<u>(10,285,916)</u>	<u>(13,222,248)</u>
Net insurance premium revenue		5,530,394	16,283,223
Reinsurance commission income		956,209	4,048,317
Other income		27,219	-
<b>Total underwriting income</b>		<u>6,513,822</u>	<u>20,331,540</u>
<b>UNDERWRITING EXPENSES</b>			
Claims incurred		(8,935,898)	(30,163,450)
Reinsurers' share of claims incurred		3,255,824	10,774,074
Net claims incurred		(5,680,074)	(19,389,376)
Commission expenses		(653,214)	(3,069,323)
Allowances made for doubtful debts		780,707	(118,191)
General and administration expenses relating to underwriting activities		(4,863,070)	(5,396,257)
<b>Total underwriting expenses</b>		<u>(10,415,651)</u>	<u>(27,973,147)</u>
<b>NET UNDERWRITING LOSS</b>		<u>(3,901,829)</u>	<u>(7,641,607)</u>
Investment income		1,068,530	3,096,927
General and administration expenses not allocated to underwriting activities		(255,951)	(284,012)
Finance costs		(134,761)	(124,716)
<b>LOSS FOR THE PERIOD</b>		<u>(3,224,011)</u>	<u>(4,953,408)</u>
Basic and diluted loss per share (AED)	4	<u>(0.03)</u>	<u>(0.05)</u>

The attached explanatory notes 1 to 18 form part of these financial statements.

United Insurance Company (PSC)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2017 AED</i>	<i>2016 AED</i>
Loss for the period	(3,224,011)	(4,953,408)
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that would be reclassified to profit or loss in subsequent periods</i>		
Net decrease in fair value of available-for-sale investments	(230,987)	(147,500)
Net realised loss on disposal of available-for-sale investments transferred to income statement	-	(1,995,179)
<b>Other comprehensive loss for the period</b>	<b>(230,987)</b>	<b>(2,142,679)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(3,454,998)</b>	<b>(7,096,087)</b>

The attached explanatory notes 1 to 18 form part of these financial statements.

United Insurance Company (PSC)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017 (Unaudited)

		31 March 2017 AED	31 December 2016 AED (Audited)
	<i>Notes</i>		
<b>ASSETS</b>			
Property and equipment		1,741,151	1,831,865
Investment property	5	58,500,000	58,500,000
Financial instruments	6	14,037,814	14,286,733
Insurance contract assets	13	94,426,264	90,659,654
Deferred acquisition costs		3,516,784	2,235,672
Insurance receivables	8	45,683,265	33,849,390
Prepayments and other receivables		5,459,296	2,714,960
Statutory deposits	9	6,000,000	6,000,000
Bank balances and cash	10	21,548,906	21,111,311
<b>TOTAL ASSETS</b>		<b>250,913,480</b>	<b>231,189,585</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	100,000,000	100,000,000
Statutory reserve	12	28,836,750	28,836,750
General reserve	12	2,969,044	2,969,044
Investment revaluation reserve	12	5,171,724	5,402,711
Accumulated losses		(141,250,209)	(138,026,198)
<b>Deficiency of assets</b>		<b>(4,272,691)</b>	<b>(817,693)</b>
<b>Liabilities</b>			
Employees' end of service benefits		1,320,845	1,307,096
Term loan from bank	14	18,425,000	18,950,000
Bank overdraft	15	14,801,678	16,044,022
Insurance contract liabilities	13	145,176,406	131,747,665
Deferred commission income		1,607,217	1,231,274
Insurance and other payables		73,855,025	62,727,221
<b>Total liabilities</b>		<b>255,186,171</b>	<b>232,007,278</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>250,913,480</b>	<b>231,189,585</b>

The financial statements were authorised for issue in accordance with a resolution of the directors on 14 May 2017.

Director

Chief Executive Officer

The attached explanatory notes 1 to 18 form part of these financial statements.

United Insurance Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Accumulated losses AED	Investment revaluation reserve AED	Total AED
Balance at 31 December 2015 (audited)	100,000,000	28,813,026	2,969,044	(138,239,721)	8,295,695	1,838,044
Loss for the period	-	-	-	(4,953,408)	-	(4,953,408)
Other comprehensive loss for the period	-	-	-	-	(2,142,679)	(2,142,679)
Total comprehensive loss for the period	-	-	-	(4,953,408)	(2,142,679)	(7,096,087)
Balance at 31 March 2016 (unaudited)	100,000,000	28,813,026	2,969,044	(143,193,129)	6,153,016	(5,258,043)
Balance at 31 December 2016 (audited)	100,000,000	28,836,750	2,969,044	(138,026,198)	5,402,711	(817,693)
Loss for the period	-	-	-	(3,224,011)	-	(3,224,011)
Other comprehensive loss for the period	-	-	-	-	(230,987)	(230,987)
Total comprehensive loss for the period	-	-	-	(3,224,011)	(230,987)	(3,454,998)
<b>Balance at 31 March 2017 (unaudited)</b>	<b>100,000,000</b>	<b>28,836,750</b>	<b>2,969,044</b>	<b>(141,250,209)</b>	<b>5,171,724</b>	<b>(4,272,691)</b>

# United Insurance Company (PSC)

## INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2017 (Unaudited)

	Notes	Three months ended 31 March	
		2017 AED	2016 AED
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(3,224,011)	(4,953,408)
Adjustments for:			
Decrease in fair value of investments-held for trading		17,930	50,812
Investment income		(1,081,733)	(1,049,425)
Gain on sale of available-for-sale investment		-	(2,098,316)
Finance cost		134,761	124,716
Allowance made for doubtful debts, net		(780,707)	118,191
Depreciation on property and equipment		137,962	185,911
Provision for employees' end of service benefits		118,747	90,189
		<u>(4,677,051)</u>	<u>(7,531,330)</u>
Changes in operating assets and liabilities:			
Insurance contract assets		(3,766,610)	(376,751)
Deferred acquisition costs		(1,281,112)	-
Insurance receivables		(11,053,168)	(9,175,471)
Prepayments and other assets		(2,744,336)	468,382
Insurance contract liabilities		13,428,741	(2,886,557)
Deferred commission income		375,943	-
Insurance and other payables		11,127,804	6,773,320
		<u>1,410,211</u>	<u>(12,728,407)</u>
Cash generated from / (used) in operations		(104,998)	(290,152)
Employees' end of service benefits paid		(134,761)	(124,716)
Finance cost paid			
		<u>1,170,452</u>	<u>(13,143,275)</u>
<b>INVESTING ACTIVITIES</b>			
Net movement in fixed deposits		(146,170)	(466,369)
Purchase of property and equipment		(47,248)	(162,915)
Proceeds from disposal of investment held for trading		23,987	-
Proceeds from disposal of available-for-sale investments		-	10,617,764
Purchase of available-for-sale investments		-	-
Interest received		134,583	145,454
Income from investment properties received		923,165	807,195
Dividend received		-	96,776
		<u>888,317</u>	<u>11,037,905</u>
<b>FINANCING ACTIVITY</b>			
Repayment of term loan		(525,000)	-
		<u>(525,000)</u>	<u>-</u>
Net cash used in financing activity			
		<u>(525,000)</u>	<u>-</u>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,533,769</b>	<b>(2,105,370)</b>
Cash and cash equivalents at 1 January		(15,683,541)	(16,952,615)
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	10	<b>(14,149,772)</b>	<b>(19,057,985)</b>

The attached explanatory notes 1 to 18 form part of these financial statements.

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 1 CORPORATE INFORMATION

United Insurance Company (PSC) (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 the UAE Federal Law No. 2 of 2015 relating to commercial companies and the UAE Federal Law No. (6) of 2007 relating to insurance companies in the UAE, and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 8. The Federal Law No.2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No.8 of 1984.

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 302 of the Federal Law No. (2) of 2015, if the losses of a Company reach half of its issued capital, the Board of Directors shall within 30 (thirty) days from the date of disclosure to the Ministry or the Authority, as applicable, of the periodical or annual financial statements invite the General Assembly to take a special Decision to dissolve the company prior to the expiry of its term or to continue in the activity of the company. General Assemblies were convened on 2 July 2015 and 30 April 2016 in which resolutions were passed to take steps to prepare an action plan to continue the business. Accordingly, the management has executed the following:

- prepared a progressive business plan with forecasts on the business operations derived based on more efficient utilisation of available resources and strategies to filter and intake only qualitative market opportunities
- initiated discussion with prospective investor and started the respective due diligence procedures
- Ensured sanctioning of financial support from a reputed bank for funding for the working capital requirements

The Company incurred a total comprehensive loss of AED 3,224,011 (2016: losses of AED 4,953,408) for the three months ended 31 March 2017 and, as of that date, its accumulated losses amounted to AED 141,250,209 (2016: AED 138,026,198) and its deficiency of assets amounted to AED 4,272,691 (2016: AED 817,693). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis based on restructuring plans which are under implementation.

During the General Assembly held on 30 April 2016, the Board of Directors approved the continuity plan including share capital restructuring.

On January 5, 2017, by virtue of a special resolution, the Board approved the restructuring plan with the following steps:

- capital reduction up to the carrying value as per the financial position as at 31 December 2016
- admission of a strategic shareholder with shareholding percentage of 25% of share capital
- the immediate issuance of new share capital collected through subscription rights of the existing shareholders, with a view to return the capital to its original value.
- subsequently the subscription process for right issue has been initiated on 19th April 2017.

After these have taken effect, the Company’s capital will amount to AED 100,000,000 and accumulated losses will amount to Nil.



## 2 SIGNIFICANT 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.

These interim 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 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016.

#### **Interim reporting**

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 2016.

#### **New standards, interpretations and amendments**

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2017 also did not have an impact on the financial position or performance of the Company during the period.

United Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

3 SEGMENTAL INFORMATION

Identification of reportable segments

*Primary segment information*

For management purposes, the Company is organised into business units based on its products and services and has two reportable operating segments as follows:

- The general insurance segment, comprises property, fire, marine, motor, medical, general accident and miscellaneous risks.
- Investment comprises investment held for trading, AFS investments, investment properties and fixed deposits.

These segments are the basis on which the Company reports its primary segment information.

	<i>General insurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Underwriting Income	28,797,028	27,847,278	-	-	28,797,028	27,847,278
Net Underwriting Loss	(3,901,829)	(7,641,607)	-	-	(3,901,829)	(7,641,607)
Investment Income	=	-	1,068,530	3,096,927	1,068,530	3,096,927
Unallocated other expenses (net)			(390,712)		(390,712)	(408,728)
Loss for the period			(3,224,011)		(3,224,011)	(4,953,408)

United Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Identification of reportable segments (continued)

Primary segment information (continued)

	General insurance		Investment		Total	
	31 March 2017 AED	31 December 2016 AED (Audited)	31 March 2017 AED	31 December 2016 AED (Audited)	31 March 2017 AED	31 December 2016 AED (Audited)
Segment assets	155,085,609	135,459,675	93,434,814	93,537,563	248,520,423	228,997,238
Unallocated assets					2,393,057	2,192,347
					250,913,480	231,189,585
Segment liabilities	253,865,326	230,700,182	-	-	253,865,326	230,700,182
Unallocated liabilities					1,320,845	1,307,096
Total liabilities					255,186,171	232,007,278

The Company's operations are primarily conducted in the United Arab Emirates. General Insurance figures reported above include certain assets and liabilities that are common for all two reportable segments. These amounts are not significant and are not reported separately.

## United Insurance Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

#### 3 SEGMENTAL INFORMATION (continued)

##### Revenue from underwriting departments

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

	<i>Three months ended 31 March</i>	
	<i>2017 AED</i>	<i>2016 AED</i>
Motor	5,198,161	4,559,099
Marine	769,957	865,457
Medical	15,183,333	13,699,670
Fire	3,456,565	3,695,237
Engineering, property, general accidents and others	4,189,012	5,027,815
	<u>28,797,028</u>	<u>27,847,278</u>

#### 4 BASIC AND DILUTED LOSS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Loss for the period (AED)	(3,224,011)	(4,953,408)
Weighted average number of shares outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>
Loss per share (AED)	<u>(0.03)</u>	<u>(0.05)</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.

#### 5 INVESTMENT PROPERTY

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. 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).

Investment property with a carrying value of AED 50,000,000 is mortgaged against the bank loan (Note 14). The Company has also assigned the rental income of the related property in favour of the bank as security.

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 6 FINANCIAL INSTRUMENTS

	<i>Carrying Value</i>		<i>Fair Value</i>	
	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Financial instruments</i>				
Available for sale investments (Note 6 a)	11,954,555	12,185,544	11,954,555	12,185,544
Investments held for trading (Note 6 b)	2,083,259	2,101,189	2,083,259	2,101,189
	<u>14,037,814</u>	<u>14,286,733</u>	<u>14,037,814</u>	<u>14,286,733</u>

#### (a) Available for sale investments

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Quoted Equity Securities</i>		
Within UAE	11,954,555	12,185,544
Outside UAE	-	-
	<u>11,954,555</u>	<u>12,185,544</u>

#### (b) Investments held for trading

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Unquoted mutual fund units</i>		
Within U.A.E	10,000	10,000
Outside U.A.E	2,073,259	2,091,189
	<u>2,083,259</u>	<u>2,101,189</u>

### 7 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.

#### *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 2016.

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 7 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.

	<b>31 March 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
<i>Available - for - sale</i>					
Quoted Investments	<b>11,954,555</b>	12,185,544	Level 1	Quoted bid prices in an active market	N/A
<i>Investments held for trading</i>					
Unquoted Investments	<b>2,083,259</b>	2,101,189	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:*

	<b>31 March 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
Opening balance	<b>2,101,189</b>	2,159,131
Disposal during the period	-	(13,201)
Fair value adjustment	<b>(17,930)</b>	(44,741)
	<b>2,083,259</b>	2,101,189

### 8 INSURANCE RECEIVABLES

	<b>31 March 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
Due from policyholders	<b>46,513,758</b>	37,166,239
Due from insurance companies	<b>13,159,787</b>	13,266,139
Due from reinsurance companies	<b>4,834,661</b>	3,022,660
Less : Allowance for doubtful debts	<b>(18,824,941)</b>	(19,605,648)
	<b>45,683,265</b>	33,849,390

## United Insurance Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

#### 8 INSURANCE RECEIVABLES (continued)

All of the above amounts are due within twelve month of the reporting date. The reinsurers' share of claims not paid by the Company at the reporting date are disclosed in note 13. The amounts due from reinsurers are normally settled on a quarterly basis.

Movements in the allowance for impairment of receivables were as follows:

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
At 1 January	19,605,648	24,306,473
Charge for the period / year	165,876	1,561,268
Allowance written back during the period / year	(946,583)	(6,262,093)
At end of period / year	<u>18,824,941</u>	<u>19,605,648</u>

#### 9 STATUTORY DEPOSITS

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Bank deposits:	<u>6,000,000</u>	<u>6,000,000</u>

This represents the amount that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007. The bank deposit expires after one year and is renewable every year and earns an interest of: 2.25% per annum.

#### 10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Current accounts and cash	317,865	290,407
Call accounts	334,041	70,074
Bank deposits	20,897,000	20,750,830
	<u>21,548,906</u>	<u>21,111,311</u>

The entire cash and cash equivalents are within United Arab Emirates. The annual rate of fixed deposits is 2.25%.

## United Insurance Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

#### 10 CASH AND CASH EQUIVALENTS (continued)

For the purpose of statement of cash flows, cash and cash equivalents include bank balances and cash net of fixed deposits in bank with maturity over three months and fixed deposits under lien. Cash and cash equivalents at the end of the period / year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>31 March 2016 AED (Unaudited)</i>
Bank balances and cash	21,548,906	21,111,311	21,436,140
Bank deposits with maturity over 3 months	(20,897,000)	(20,750,830)	(20,750,830)
Bank overdraft	(14,801,678)	(16,044,022)	(19,743,295)
	<u>(14,149,772)</u>	<u>(15,683,541)</u>	<u>(19,057,985)</u>

#### 11 SHARE CAPITAL

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (2016: 100,000,000 shares of AED 1 each)	<u>100,000,000</u>	<u>100,000,000</u>

#### 12 RESERVES

##### *Statutory Reserve*

In accordance with UAE Commercial Companies Law No. 8 of 1984 (as amended) and the Company's Articles of Association, the Company has not made the annual transfer of 10% of the profit since the company has incurred losses during the year. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law No. 8 of 1984 (as amended).

##### **General Reserve**

This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

##### *Investment Revaluation Reserve*

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



United Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Claims reported unsettled	91,770,101	89,833,084
Claims incurred but not reported	12,311,668	13,355,651
Unearned premiums reserve	37,977,520	25,223,930
Premium deficiency reserve	2,083,128	1,856,000
Unallocated loss adjustment Expenses	1,033,989	1,479,000
	<u>145,176,406</u>	<u>131,747,665</u>
<i>Insurance contract assets:</i>		
Reinsurance share of claims reported unsettled	66,655,524	68,896,716
Reinsurance share of claims incurred but not reported	6,152,029	6,916,651
Reinsurance share of unearned premiums	21,618,711	14,846,287
	<u>94,426,264</u>	<u>90,659,654</u>
<i>Insurance contract liabilities - net</i>		
Claims reported unsettled	25,114,577	20,936,368
Claims incurred but not reported	6,159,639	6,439,000
Unearned premiums	16,358,809	10,377,643
Premium deficiency reserve	2,083,128	1,856,000
Unallocated loss adjustment expenses	1,033,989	1,479,000
	<u>50,750,142</u>	<u>41,088,011</u>

Insurance contract assets include outstanding balances recoverable from insurance companies and third parties.

14 TERM LOAN FROM BANK

	<i>Due within one year AED</i>	<i>Due after one year AED</i>	<i>Total AED</i>	<i>Final installment due date</i>
<b>As at 31 March 2017</b>				
Loan I	2,175,000	16,250,000	18,425,000	31 May 2023

During the current period the Company obtained a term loan from a reputed bank within UAE for funding for the working capital requirements. The interest is payable on quarterly basis at 4.5% per annum. The loan is secured against the mortgage of an investment property with carrying value of AED 50,000,000 (note 5), assignment of rental income of the property in favour of the bank and assignment of insurance policy on the property in favour of the bank.

15 BANK OVERDRAFT

The company has overdraft limit of AED 20,000,000 out of which AED 5,198,322 is unutilised. Bank overdraft carries interest at base lending rate of 3.25% per annum (31 December: 2016: 2.75% to 3.25%)

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 16 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

The significant balances outstanding at 31 March in respect of related parties included in the financial statements are as follows:

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	<b>9,354,153</b>	2,136,972
Outstanding claims	<b>1,656,088</b>	35,208

The income and expenses in respect of related parties included in the financial statements are as follows:

*Affiliates of major shareholders:*

	<i>Three months ended 31 March</i>	
	<i>2017 AED</i>	<i>2016 AED</i>
Premiums	<b>9,155,526</b>	9,035,183
Claims	<b>2,219,546</b>	2,384,428

*Compensation of the key management personnel:*

	<i>Three months ended 31 March</i>	
	<i>2017 AED</i>	<i>2016 AED</i>
Employee benefits	<b>298,606</b>	305,873

The Company has not recorded any impairment of amounts owed by related parties.

### 17 CONTINGENCIES

#### *Contingent liabilities*

At 31 March 2017, 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 5,396,833 (31 December 2016: 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 condition.

### 18 SEASONALITY OF RESULTS

The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 31 March 2017 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 2017.