

# **United Insurance Company**

(Public Shareholding Company)

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2016 (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 30 September 2016, comprising the interim statement of financial position as at 30 September 2016 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in equity and cash flows for the nine-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.

### ***Emphasis of Matter***

The Company incurred a loss of AED 6,111,463 (2015: AED 35,195,861) for the nine months ended 30 September 2016 and, as of that date, it had accumulated losses which amounted to AED 144,351,184 (31 December 2015: AED 138,239,721) and deficiency of assets which amounted to AED 6,859,262. 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.



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

***Other matters***

Our audit opinion on the Company's financial statements for the year ended 31 December 2015 was qualified with regard to opening balances, which may have a possible impact on the comparative numbers of the interim statement of income for the period ended 30 September 2015.

A handwritten signature in black ink, reading 'Emad S. Young', is located below the text. The signature is written in a cursive style.

Signed by:

Ashraf Abu-Sharkh

Partner

Registration No.: 690

8 November 2016

Dubai, United Arab Emirates

United Insurance Company P.S.C.

INTERIM STATEMENT OF INCOME

For the period ended 30 September 2016 (Unaudited)

|  | Note | <i>Three months ended<br/>30 September</i> |                     | <i>Nine months ended<br/>30 September</i> |                      |
|--|------|--|---------------------|---|----------------------|
|  |      | <i>2016<br/>AED</i>                        | <i>2015<br/>AED</i> | <i>2016<br/>AED</i>                       | <i>2015<br/>AED</i>  |
| <b>UNDERWRITING INCOME</b>   |      |  |                     |   |                      |
| Gross premium  |      | 10,831,746                                 | 24,615,319          | 54,286,999                                | 99,130,959           |
| Movement in provision for unearned premium                                   |      | 8,487,932                                  | (964,620)           | 13,904,278                                | 15,758,790           |
| Movement in premium deficiency reserve                                       |      | -  | (1,518,811)         | 4,575,000                                 | (6,285,852)          |
| Insurance premium revenue  |      | <u>19,319,678</u>                          | <u>22,131,888</u>   | <u>72,766,277</u>                         | <u>108,603,897</u>   |
| Reinsurance share of premium   |      | (6,685,521)                                | (11,105,711)        | (37,971,112)                              | (47,734,914)         |
| Movement in provision for reinsurance share of unearned premium              |      | (6,378,686)                                | 397,857             | (1,751,819)                               | (1,418,854)          |
| Reinsurance share of premium revenue   |      | <u>(13,064,207)</u>                        | <u>(10,707,854)</u> | <u>(39,722,931)</u>                       | <u>(49,153,768)</u>  |
| Net insurance premium revenue  |      | 6,255,471                                  | 11,424,034          | 33,043,346                                | 59,450,129           |
| Reinsurance commission income  |      | 1,695,462                                  | 2,126,109           | 7,802,363                                 | 9,995,371            |
| Other income   |      | 73,317                                     | 463,835             | 91,207                                    | 502,962              |
| <b>Total underwriting income</b>   |      | <u>8,024,250</u>                           | <u>14,013,978</u>   | <u>40,936,916</u>                         | <u>69,948,462</u>    |
| <b>UNDERWRITING EXPENSES</b>   |      |  |                     |   |                      |
| Gross claims incurred  |      | (8,996,378)                                | (36,991,503)        | (49,689,177)                              | (137,514,113)        |
| Reinsurers' share of claims incurred   |      | 3,896,899                                  | 12,452,813          | 23,086,574                                | 53,319,923           |
| Net claims incurred  |      | (5,099,479)                                | (24,538,690)        | (26,602,603)                              | (84,194,190)         |
| Commission expenses  |      | (1,889,026)                                | (2,675,111)         | (8,693,967)                               | (9,877,715)          |
| Allowances made for doubtful debts, net                                      |      | (574,678)                                  | -                   | (1,219,406)                               | -                    |
| General and administrative expenses relating to underwriting activities      |      | (4,336,133)                                | (5,540,782)         | (14,670,518)                              | (18,799,727)         |
| <b>Total underwriting expenses</b>   |      | <u>(11,899,316)</u>                        | <u>(32,754,583)</u> | <u>(51,186,494)</u>                       | <u>(112,871,632)</u> |
| <b>NET UNDERWRITING LOSS</b>   |      | <u>(3,875,066)</u>                         | <u>(18,740,605)</u> | <u>(10,249,578)</u>                       | <u>(42,923,170)</u>  |
| Investment income  |      | 1,031,130                                  | 499,839             | 5,455,015                                 | 8,801,094            |
| General and administrative expenses not allocated to underwriting activities |      | (228,219)                                  | (291,620)           | (772,133)                                 | (989,460)            |
| Finance costs  |      | (271,606)                                  | (23,693)            | (544,767)                                 | (84,325)             |
| <b>LOSS FOR THE PERIOD</b>   |      | <u>(3,343,761)</u>                         | <u>(18,556,079)</u> | <u>(6,111,463)</u>                        | <u>(35,195,861)</u>  |
| Basic and diluted loss per share (AED)                                       | 4    | <u>(0.033)</u>                             | <u>(0.186)</u>      | <u>(0.061)</u>                            | <u>(0.352)</u>       |

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

United Insurance Company P.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2016 (Unaudited)

|   | <i>Three months ended<br/>30 September</i> |                            | <i>Nine months ended<br/>30 September</i> |                            |
|---|--|----------------------------|---|----------------------------|
|   | <i>2016<br/>AED</i>                        | <i>2015<br/>AED</i>        | <i>2016<br/>AED</i>                       | <i>2015<br/>AED</i>        |
| Loss for the period   | <u>(3,343,761)</u>                         | <u>(18,556,079)</u>        | <u>(6,111,463)</u>                        | <u>(35,195,861)</u>        |
| <b>OTHER COMPREHENSIVE INCOME</b>   |  |                            |   |                            |
| <i>Other comprehensive income that may be reclassified<br/>to profit or loss in subsequent periods:</i> |  |                            |   |                            |
| Net increase/(decrease) in fair value of<br>available-for-sale investments                              | <u>62,850</u>                              | <u>(1,728,540)</u>         | <u>(603,514)</u>                          | <u>(2,352,179)</u>         |
| Net realised gain on disposal of available-for-sale<br>investments transferred to income statement      | <u>-</u>                                   | <u>-</u>                   | <u>(1,982,329)</u>                        | <u>(4,181,021)</u>         |
| <b>Other comprehensive income/(loss) for the period</b>   | <u><b>62,850</b></u>                       | <u><b>(1,728,540)</b></u>  | <u><b>(2,585,843)</b></u>                 | <u><b>(6,533,200)</b></u>  |
| <b>TOTAL COMPREHENSIVE LOSS<br/>FOR THE PERIOD</b>  | <u><b>(3,280,911)</b></u>                  | <u><b>(20,284,619)</b></u> | <u><b>(8,697,306)</b></u>                 | <u><b>(41,729,061)</b></u> |

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

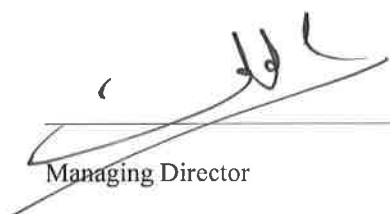
# United Insurance Company P.S.C.

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016 (Unaudited)

|  | <i>Notes</i> | <b>30 September<br/>2016<br/>AED<br/>(Unaudited)</b> | <b>31 December<br/>2015<br/>AED<br/>(Audited)</b> |
|--|--------------|--|---|
| <b>ASSETS</b>                                |              |  |   |
| Property and equipment                       |              | 1,345,283  | 1,120,785   |
| Investment properties                        | 5            | 58,500,000   | 58,500,000  |
| Financial instruments                        | 6            | 14,593,875   | 25,808,506  |
| Statutory deposit                            | 8            | 6,000,000  | 6,000,000   |
| Insurance contract assets                    | 9            | 106,927,050  | 137,823,164                                       |
| Insurance and other receivables              | 10           | 36,064,743   | 44,726,902  |
| Bank balances and cash                       | 11           | 23,655,767   | 21,409,379  |
| <b>TOTAL ASSETS</b>                          |              | <b>247,086,718</b>                                   | <b>295,388,736</b>                                |
| <b>EQUITY AND LIABILITIES</b>                |              |  |   |
| <b>Equity</b>                                |              |  |   |
| Share capital                                | 12           | 100,000,000  | 100,000,000                                       |
| Statutory reserve                            | 13           | 28,813,026   | 28,813,026  |
| General reserve                              | 13           | 2,969,044  | 2,969,044   |
| Accumulated losses                           |              | (144,351,184)  | (138,239,721)                                     |
| Investment revaluation reserve               | 13           | 5,709,852  | 8,295,695   |
| <b>Total (deficiency of assets) / equity</b> |              | <b>(6,859,262)</b>                                   | <b>1,838,044</b>                                  |
| <b>Liabilities</b>                           |              |  |   |
| Employees' end of service benefits           |              | 1,224,101  | 1,443,969   |
| Term loan from bank                          | 14           | 19,475,000   | -   |
| Bank overdraft                               | 15           | 11,820,379   | 18,077,531  |
| Insurance contract liabilities               | 9            | 153,284,883  | 205,595,089                                       |
| Insurance and other payables                 |              | 68,141,617   | 68,434,103  |
| <b>Total liabilities</b>                     |              | <b>253,945,980</b>                                   | <b>293,550,692</b>                                |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |              | <b>247,086,718</b>                                   | <b>295,388,736</b>                                |

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 8 November 2016.

  
 \_\_\_\_\_  
 Managing Director

  
 \_\_\_\_\_  
 Chief Executive Officer

United Insurance Company P.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2016 (Unaudited)

|   | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | General<br>reserve<br>AED | Accumulated<br>losses<br>AED | Investment<br>revaluation<br>reserve<br>AED | Total<br>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                             | -                       | -                           | -                         | (6,111,463)                  | -   | (6,111,463)        |
| Other comprehensive income for the period       | -                       | -                           | -                         | -                            | (2,585,843)                                 | (2,585,843)        |
| Total comprehensive loss for the period         | -                       | -                           | -                         | (6,111,463)                  | (2,585,843)                                 | (8,697,306)        |
| <b>Balance at 30 September 2016 (unaudited)</b> | <b>100,000,000</b>      | <b>28,813,026</b>           | <b>2,969,044</b>          | <b>(144,351,184)</b>         | <b>5,709,852</b>                            | <b>(6,859,262)</b> |
| 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                             | -                       | -                           | -                         | (35,195,861)                 | -   | (35,195,861)       |
| Other comprehensive loss for the period         | -                       | -                           | -                         | -                            | (6,533,200)                                 | (6,533,200)        |
| Total comprehensive loss for the period         | -                       | -                           | -                         | (35,195,861)                 | (6,533,200)                                 | (41,729,061)       |
| Balance at 30 September 2015 (unaudited)        | <b>100,000,000</b>      | <b>28,813,026</b>           | <b>2,969,044</b>          | <b>(108,608,299)</b>         | <b>12,610,358</b>                           | <b>35,784,129</b>  |

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

United Insurance Company P.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2016 (Unaudited)

|  | <i>Note</i> | <i>Nine months<br/>ended 30 September</i> |                     |
|--|-------------|---|---------------------|
|  |             | <i>2016<br/>AED</i>                       | <i>2015<br/>AED</i> |
| <b>OPERATING ACTIVITIES</b>  |             |   |                     |
| Loss for the period  |             | (6,111,463)                               | (35,195,861)        |
| Adjustments for:   |             |   |                     |
| Depreciation on property and equipment                                     |             | 439,442                                   | 411,411             |
| Provision for employees' end of service benefits                           |             | 178,411                                   | 296,728             |
| Allowance made for doubtful debts, net                                     |             | 1,219,406                                 | -                   |
| Investment Income  |             | (5,455,015)                               | (8,801,094)         |
| Finance cost   |             | 544,767                                   | 84,325              |
|  |             | <u>(9,184,452)</u>                        | <u>(43,204,491)</u> |
| Changes in operating assets and liabilities:                               |             |   |                     |
| Insurance contract assets  |             | 30,896,114                                | (11,683,066)        |
| Insurance and other receivables  |             | 7,442,753                                 | 8,856,716           |
| Insurance contract liabilities   |             | (52,310,206)                              | 10,464,684          |
| Insurance and other payables   |             | (292,486)                                 | 10,368,039          |
|  |             | <u>(23,448,277)</u>                       | <u>(25,198,118)</u> |
| Cash used in operations  |             | (23,448,277)                              | (25,198,118)        |
| Employees' end of service benefits paid                                    |             | (398,279)                                 | (234,957)           |
| Finance cost paid  |             | (544,767)                                 | (84,325)            |
|  |             | <u>(24,391,323)</u>                       | <u>(25,517,400)</u> |
| Net cash used in operating activities                                      |             |   |                     |
| <b>INVESTING ACTIVITIES</b>  |             |   |                     |
| Net movement in fixed deposits   |             | (466,367)                                 | 19,477,603          |
| Proceeds from disposal of investments at fair value through profit or loss |             | 23,679                                    | 144,379             |
| Proceeds from disposal of available-for-sale investments                   |             | 10,660,054                                | 9,417,695           |
| Purchase of available-for-sale investments                                 |             | -   | (2,822,725)         |
| Purchase of property and equipment   |             | (663,940)                                 | (116,247)           |
| Income from investment properties received                                 |             | 2,343,694                                 | 2,498,920           |
| Interest income  |             | 450,732                                   | 363,370             |
| Dividend income  |             | 605,644                                   | 2,308,103           |
|  |             | <u>12,953,496</u>                         | <u>31,271,098</u>   |
| Net cash from investing activities   |             |   |                     |
| <b>FINANCING ACTIVITY</b>  |             |   |                     |
| Term loan  |             | 19,475,000                                | -                   |
|  |             | <u>19,475,000</u>                         | <u>-</u>            |
| Cash from financing activity   |             |   |                     |
|  |             | <u>8,037,173</u>                          | <u>5,753,698</u>    |
| INCREASE IN CASH AND CASH EQUIVALENTS                                      |             |   |                     |
| Cash and cash equivalents at 1 January                                     |             | (16,952,615)                              | (3,369,967)         |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER                                  | 11          | <u>(8,915,442)</u>                        | <u>2,383,731</u>    |

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.



## 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 currently assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 30 June 2017.

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 the necessary 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; and
- obtained term loan from a reputed bank for funding for the working capital requirements.

The financial statements have been prepared on a going concern assumption as the board of directors has resolved on 30 April 2016, based on the above mentioned activities, to recommend to the shareholders to agree and approve the continuity plan and the issuance of an additional capital as required.

## 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.

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 2015. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

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

**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 2015.

**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 2016 also did not have an impact on the financial position or performance of the Company during the period.

**3 SEGMENTAL INFORMATION**

**Identification of reportable segments**

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.

Operating segment information for the nine months ended 30 September is presented below:

|                                | <i>General insurance</i> |                          | <i>Investments</i>       |                          | <i>Total</i>             |                          |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                | <i>30 September 2016</i> | <i>30 September 2015</i> | <i>30 September 2016</i> | <i>30 September 2015</i> | <i>30 September 2016</i> | <i>30 September 2015</i> |
|                                | <i>AED</i>               | <i>AED</i>               | <i>AED</i>               | <i>AED</i>               | <i>AED</i>               | <i>AED</i>               |
| <b>Segment revenue - Gross</b> | <b>54,286,999</b>        | 99,130,959               | -                        | -                        | <b>54,286,999</b>        | 99,130,959               |
| <b>Segment Result</b>          | <b>(10,249,578)</b>      | (42,923,170)             | <b>5,455,015</b>         | 8,801,094                | <b>(4,794,563)</b>       | (34,122,076)             |
| Unallocated cost (net)         |                          |                          |                          |                          | <b>(1,316,900)</b>       | (1,073,785)              |
| <b>Loss for the period</b>     |                          |                          |                          |                          | <b>(6,111,463)</b>       | (35,195,861)             |

|                            | <i>Underwriting</i>      |                         | <i>Investments</i>       |                         | <i>Total</i>             |                         |
|----------------------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
|                            | <i>30 September 2016</i> | <i>31 December 2015</i> | <i>30 September 2016</i> | <i>31 December 2015</i> | <i>30 September 2016</i> | <i>31 December 2015</i> |
|                            | <i>AED</i>               | <i>AED</i>              | <i>AED</i>               | <i>AED</i>              | <i>AED</i>               | <i>AED</i>              |
|                            | <i>(Unaudited)</i>       | <i>(Audited)</i>        | <i>(Unaudited)</i>       | <i>(Audited)</i>        | <i>(Unaudited)</i>       | <i>(Audited)</i>        |
| <b>Segment Assets</b>      | <b>148,991,793</b>       | 188,550,066             | <b>93,844,705</b>        | 104,592,969             | <b>242,836,498</b>       | 293,143,035             |
| Unallocated Assets         |                          |                         |                          |                         | <b>4,250,220</b>         | 2,245,701               |
| <b>Total Assets</b>        |                          |                         |                          |                         | <b>247,086,718</b>       | 295,388,736             |
| <b>Segment Liabilities</b> | <b>252,721,879</b>       | 292,106,723             | -                        | -                       | <b>252,721,879</b>       | 292,106,723             |
| Unallocated Liabilities    |                          |                         |                          |                         | <b>1,224,101</b>         | 1,443,969               |
| <b>Total Liabilities</b>   |                          |                         |                          |                         | <b>253,945,980</b>       | 293,550,692             |

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

### 3 SEGMENTAL INFORMATION (continued)

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.

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

|  | <i>Three months ended</i><br><i>30 September</i> |                           | <i>Nine months ended</i><br><i>30 September</i> |                           |
|--|--|---------------------------|---|---------------------------|
|  | <i>2016</i><br><i>AED</i>                        | <i>2015</i><br><i>AED</i> | <i>2016</i><br><i>AED</i>                       | <i>2015</i><br><i>AED</i> |
| Motor  | 3,084,194  | 17,566,370                | 12,052,313                                      | 49,276,786                |
| Marine   | 442,364  | 652,891                   | 1,922,857                                       | 2,605,103                 |
| Medical  | 3,514,587  | 2,154,848                 | 21,304,854                                      | 25,191,542                |
| Fire   | 1,844,063  | 1,721,166                 | 9,197,656                                       | 11,617,436                |
| Engineering, Property, general<br>Accidents and others | 1,946,538  | 2,520,044                 | 9,809,319                                       | 10,440,092                |
|  | <u>10,831,746</u>                                | <u>24,615,319</u>         | <u>54,286,999</u>                               | <u>99,130,959</u>         |

### 4 BASIC AND DILUTED LOSS PER SHARE

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

|  | <i>Three months ended</i><br><i>30 September (Unaudited)</i> |                    | <i>Nine months ended</i><br><i>30 September (Unaudited)</i> |                    |
|--|--|--------------------|---|--------------------|
|  | <i>2016</i>  | <i>2015</i>        | <i>2016</i>   | <i>2015</i>        |
| Loss for the period (AED)  | (3,343,761)  | (18,556,079)       | (6,111,463)   | (35,195,861)       |
| Weighted average number of shares<br>outstanding during the period | <u>100,000,000</u>   | <u>100,000,000</u> | <u>100,000,000</u>  | <u>100,000,000</u> |
| Loss per share (AED)   | <u>(0.033)</u>   | <u>(0.186)</u>     | <u>(0.061)</u>  | <u>(0.352)</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 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. 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 P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

### 6 FINANCIAL INSTRUMENTS

|   | <i>Carrying Value</i>                                |   | <i>Fair Value</i>                                    |   |
|---|--|---|--|---|
|   | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
| Available- for-sale investments (Note 6 (a))                  | 12,492,686   | 23,649,375  | 12,492,686   | 23,649,375  |
| Investments at fair value through profit or loss (Note 6 (b)) | 2,101,189  | 2,159,131   | 2,101,189  | 2,159,131   |
|   | <u>14,593,875</u>                                    | <u>25,808,506</u>                                 | <u>14,593,875</u>                                    | <u>25,808,506</u>                                 |

#### 6 (a) Available- for-sale investments

|                                 | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|---------------------------------|--|---|
| <i>Quoted Equity Securities</i> |  |   |
| Within UAE                      | 12,492,686   | 21,488,853  |
| Outside UAE                     | -  | 2,160,522   |
|                                 | <u>12,492,686</u>                                    | <u>23,649,375</u>                                 |

#### 6 (b) Investments at fair value through profit or loss

|                                   | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|-----------------------------------|--|---|
| <i>Unquoted Mutual fund units</i> |  |   |
| Within UAE                        | 10,000   | 10,000  |
| Outside UAE                       | 2,091,189  | 2,149,131   |
|                                   | <u>2,101,189</u>                                     | <u>2,159,131</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 2015.

#### *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.

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

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

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

|   | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> | <i>Fair value<br/>hierarchy</i> | <i>Valuation<br/>techniques<br/>and key inputs</i> | <i>Significant<br/>unobservable<br/>input</i> |
|---|--|---|---------------------------------|--|---|
| <i>Available-for-sale</i>                               |  |   |                                 |  |   |
| Quoted Investments                                      | 12,492,686   | 23,649,375  | Level 1                         | Quoted bid prices<br>in an active market           | N/A   |
|   |  |   |                                 |  |   |
|   | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> | <i>Fair value<br/>hierarchy</i> | <i>Valuation<br/>techniques<br/>and key inputs</i> | <i>Significant<br/>unobservable<br/>input</i> |
| <i>Investments at fair value through profit or loss</i> |  |   |                                 |  |   |
| Unquoted Investments                                    | 2,101,189  | 2,159,131   | Level 3                         | Net assets valuation<br>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 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|----------------------------|--|---|
| Opening balance            | 2,159,131  | 2,233,733   |
| Disposal during the period | (13,201)   | (189,681)   |
| Fair value adjustment      | (44,741)   | 115,079   |
|                            | <u>2,101,189</u>                                     | <u>2,159,131</u>                                  |

### 8 STATUTORY DEPOSIT

|               | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(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 per annum of 2.25% (31 December 2015: 1.75%).

United Insurance Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

9 INSURANCE CONTRACT ASSETS AND LIABILITIES

|  | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|--|--|---|
| <b><i>Insurance contract liabilities:</i></b>      |  |   |
| Claims reported unsettled                          | 105,113,250  | 132,813,827                                       |
| Claims incurred but not reported                   | 15,152,651   | 21,283,001  |
| Unearned Premiums                                  | 31,687,982   | 45,592,260  |
| Premium Deficiency Reserve                         | 1,331,000  | 5,906,001   |
|  | <u>153,284,883</u>                                   | <u>205,595,089</u>                                |
| <b><i>Insurance contract assets:</i></b>           |  |   |
| Claims reported unsettled                          | 76,979,962   | 104,437,908                                       |
| Claims incurred but not reported                   | 8,079,651  | 9,766,000   |
| Unearned Premiums                                  | 21,867,437   | 23,619,256  |
|  | <u>106,927,050</u>                                   | <u>137,823,164</u>                                |
| <b><i>Insurance contract liabilities - net</i></b> |  |   |
| Claims reported unsettled                          | 28,133,288   | 28,375,919  |
| Claims incurred but not reported                   | 7,073,000  | 11,517,001  |
| Unearned Premiums                                  | 9,820,545  | 21,973,004  |
| Premium Deficiency Reserve                         | 1,331,000  | 5,906,001   |
|  | <u>46,357,833</u>                                    | <u>67,771,925</u>                                 |

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

10 INSURANCE AND OTHER RECEIVABLES

|  | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|--|--|---|
| <b><i>Receivables arising from insurance and reinsurance contracts</i></b> |  |   |
| Due from policyholders   | 42,203,503   | 48,537,057  |
| Due from insurance companies   | 11,493,036   | 8,595,254   |
| Due from reinsurance companies   | 2,646,465  | 9,139,077   |
|  | <u>(23,264,574)</u>                                  | <u>(24,306,473)</u>                               |
| Allowance for doubtful debts   | 33,078,430   | 41,964,915  |
| <b><i>Other receivables</i></b>  |  |   |
| Prepayments and deposits   | 1,981,833  | 1,564,750   |
| Other receivables  | 1,004,480  | 1,197,237   |
|  | <u>36,064,743</u>                                    | <u>44,726,902</u>                                 |

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 9. The amounts due from reinsurers are normally settled on a quarterly basis.

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

### 10 INSURANCE AND OTHER RECEIVABLES (continued)

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

|                                      | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|--------------------------------------|--|---|
| At 1 January                         | 24,306,473   | 20,926,145  |
| Charge for the period / year         | 1,219,406  | 3,910,363   |
| Written off during the period / year | (2,261,305)  | (530,035)   |
| At end of period / year              | <u>23,264,574</u>                                    | <u>24,306,473</u>                                 |

### 11 CASH AND CASH EQUIVALENTS

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

|                           | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|---------------------------|--|---|
| Current accounts and cash | 2,686,493  | 616,505   |
| Call accounts             | 218,444  | 508,411   |
| Fixed deposits            | 20,750,830   | 20,284,463  |
|                           | <u>23,655,767</u>                                    | <u>21,409,379</u>                                 |

Bank balances are maintained with banks in U.A.E. The annual interest rate on fixed deposits is 2.25% (31 December 2015: 1.75%) and all the fixed deposits mature within one year.

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>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> | <i>30 September<br/>2015<br/>AED<br/>(Unaudited)</i> |
|---|--|---|--|
| Bank balances and cash                    | 23,655,767   | 21,409,379  | 22,668,194   |
| Bank deposits with maturity over 3 months | (20,750,830)   | (20,284,463)                                      | (20,284,463)   |
| Bank overdraft                            | (11,820,379)   | (18,077,531)                                      | -  |
|   | <u>(8,915,442)</u>                                   | <u>(16,952,615)</u>                               | <u>2,383,731</u>                                     |

# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

### 12 SHARE CAPITAL

|  | <i>30 September<br/>2016<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2015<br/>AED<br/>(Audited)</i> |
|--|--|---|
| Issued and fully paid 100,000,000 shares of AED 1 each<br>(2015: 100,000,000 shares of AED 1 each) | <u>100,000,000</u>                                   | <u>100,000,000</u>                                |

### 13 RESERVES

#### NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association and the UAE Commercial Companies Law, 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 nine months period ended 30 September 2016.

- **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 REVALUATION RESERVE**

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

### 14 TERM LOAN FROM BANK

|                                | <i>Due within<br/>one year<br/>AED</i> | <i>Due after<br/>one year<br/>AED</i> | <i>Total<br/>AED</i> | <i>Final<br/>installment<br/>due date</i> |
|--------------------------------|--|---------------------------------------|----------------------|---|
| <b>As at 30 September 2016</b> |  |                                       |                      |   |
| Loan I                         | 2,125,000                              | 17,350,000                            | 19,475,000           | 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

Bank Overdraft carries interest at base lending rate which ranges from 2.75% to 3% per annum (31 December: 2015: 2.75% to 3.00%)

### 16 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.



# United Insurance Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

### 16 RELATED PARTY TRANSACTIONS (continued)

At the reporting date, amount due from/ to related parties were included in the following accounts

|                        | <b>30 September<br/>2016<br/>AED<br/>(Unaudited)</b> | <b>31 December<br/>2015<br/>AED<br/>(Audited)</b> |
|------------------------|--|---|
| Due from policyholders | 4,264,661  | 4,619,218   |
| Outstanding claims     | 415,479  | 133,865   |

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:

|  | <b>Three months ended<br/>30 September</b> |                                     | <b>Nine months ended<br/>30 September</b> |                                     |
|--|--|-------------------------------------|---|-------------------------------------|
|  | <b>2016<br/>AED<br/>(Unaudited)</b>        | <b>2015<br/>AED<br/>(Unaudited)</b> | <b>2016<br/>AED<br/>(Unaudited)</b>       | <b>2015<br/>AED<br/>(Unaudited)</b> |
| Gross premium                            | 670,768                                    | 1,419,293                           | 11,860,137                                | 12,960,353                          |
| Claims Paid                              | 207,920                                    | 4,124,640                           | 5,142,110                                 | 9,333,657                           |
| Remuneration of key management personnel | 255,751                                    | 278,781                             | 883,102                                   | 638,781                             |

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

### 17 DIRECTORS' FEES

Directors' meeting attendance fee amounting to AED 550,000 (2015: AED 625,000) were incurred across the nine months period ended 30 September 2016. These were approved by the shareholders at the Annual General Assembly.

### 18 CONTINGENCIES

#### **Contingent liabilities**

At 30 September 2016, 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 2015: 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.

### 19 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 30 September 2016 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 2016.