

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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 JUNE 2017**



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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 June 2017, comprising the interim statement of financial position as at 30 June 2017 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three and six month periods 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 4,866,186 for the six months ended 30 June 2017 (30 June 2016: AED 2,767,703) and, as of that date, it had accumulated losses which amounted to AED 142,892,384 (31 December 2016: AED 138,026,198). 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.

Signed by:  
Anthony O' Sullivan  
Partner  
Registration number: 687

14 August 2017

Dubai, United Arab Emirates

# United Insurance Company (PSC)

## INTERIM STATEMENT OF INCOME

For the period ended 30 June 2017 (Unaudited)

	<i>Three months ended 30 June (Unaudited)</i>		<i>Six months ended 30 June (Unaudited)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>Note</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>UNDERWRITING INCOME</b>				
Gross premium	17,888,253	15,607,975	46,685,281	43,455,253
Movement in provision for unearned premium	(938,781)	7,685,153	(13,692,371)	5,416,346
Movement in premium deficiency reserve	583,311	648,000	356,183	4,575,000
Insurance premium revenue	17,532,783	23,941,128	33,349,093	53,446,599
Reinsurance share of premium	(8,677,175)	(11,074,514)	(25,735,515)	(31,285,591)
Movement in provision for reinsurance share of unearned premium	(1,544,670)	(2,361,962)	5,227,754	4,626,867
Reinsurance share of premium revenue	(10,221,845)	(13,436,476)	(20,507,761)	(26,658,724)
Net insurance premium revenue	7,310,938	10,504,652	12,841,332	26,787,875
Reinsurance commission income	853,651	2,058,584	1,809,860	6,106,901
Other income	(14,566)	17,890	12,653	17,890
<b>Total underwriting income</b>	<b>8,150,023</b>	<b>12,581,126</b>	<b>14,663,845</b>	<b>32,912,666</b>
<b>UNDERWRITING EXPENSES</b>				
Gross claims incurred	(1,178,184)	(10,529,349)	(10,114,082)	(40,692,799)
Reinsurers' share of claims incurred	(1,012,550)	8,415,601	2,243,274	19,189,675
Net claims incurred	(2,190,734)	(2,113,748)	(7,870,808)	(21,503,124)
Commission expenses	(2,972,924)	(3,735,618)	(3,626,138)	(6,804,941)
Allowances made for doubtful debts, net	(830,083)	(526,537)	(49,376)	(644,728)
General and administrative expenses relating to underwriting activities	(4,787,571)	(4,938,128)	(9,650,641)	(10,334,385)
<b>Total underwriting expenses</b>	<b>(10,781,312)</b>	<b>(11,314,031)</b>	<b>(21,196,963)</b>	<b>(39,287,178)</b>
<b>NET UNDERWRITING (LOSS)/GAIN</b>	<b>(2,631,289)</b>	<b>1,267,095</b>	<b>(6,533,118)</b>	<b>(6,374,512)</b>
Investment income	1,765,434	1,326,958	2,833,964	4,423,885
General and administrative expenses not allocated to underwriting activities	(251,980)	(259,903)	(507,931)	(543,915)
Finance costs	(524,340)	(148,445)	(659,101)	(273,161)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(1,642,175)</b>	<b>2,185,705</b>	<b>(4,866,186)</b>	<b>(2,767,703)</b>
Basic and diluted (loss)/profit per share (AED)	4 (0.016)	0.022	(0.049)	(0.028)

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

## United Insurance Company (PSC)

### INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017 (Unaudited)

	<i>Three months ended 30 June (Unaudited)</i>		<i>Six months ended 30 June (Unaudited)</i>	
	<i>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
(Loss)/Profit for the period	<b>(1,642,175)</b>	2,185,705	<b>(4,866,186)</b>	(2,767,703)
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Net decrease in fair value of available-for-sale investments	<b>(302,021)</b>	(518,864)	<b>(533,008)</b>	(666,364)
Net realised gain on disposal of available-for-sale investments transferred to income statement	-	12,850	-	(1,982,329)
<b>Other comprehensive loss for the period</b>	<b>(302,021)</b>	<b>(506,014)</b>	<b>(533,008)</b>	<b>(2,648,693)</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(1,944,196)</b>	1,679,691	<b>(5,399,194)</b>	(5,416,396)

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

# United Insurance Company (PSC)

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Unaudited)

	<i>Notes</i>	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<b>ASSETS</b>			
Property and equipment		1,606,387	1,831,865
Investment property	5	58,500,000	58,500,000
Financial instruments	6	13,735,794	14,286,733
Insurance contract assets	14	85,904,734	90,659,654
Deferred acquisition costs		2,685,568	2,235,672
Insurance receivables	8	41,075,297	33,849,390
Prepayments and other receivables		3,469,688	2,714,960
Statutory deposits	9	6,000,000	6,000,000
Bank balances and cash	10	123,474,213	21,111,311
<b>TOTAL ASSETS</b>		<b>336,451,681</b>	<b>231,189,585</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	100,000,000	100,000,000
Advances for restructuring of share capital	12	101,999,951	-
Statutory reserve	13	28,836,750	28,836,750
General reserve	13	2,969,044	2,969,044
Investment revaluation reserve	13	4,869,703	5,402,711
Accumulated losses		(142,892,384)	(138,026,198)
<b>Total equity/deficiency of assets</b>		<b>95,783,064</b>	<b>(817,693)</b>
<b>Liabilities</b>			
Employees' end of service benefits		1,383,623	1,307,096
Term loan from bank	15	17,900,000	18,950,000
Bank overdraft	16	9,820,730	16,044,022
Insurance contract liabilities	14	139,010,291	131,747,665
Deferred commission income		1,604,366	1,231,274
Insurance and other payables		70,949,607	62,727,221
<b>Total liabilities</b>		<b>240,668,617</b>	<b>232,007,278</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>336,451,681</b>	<b>231,189,585</b>

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

Chairman

Chief Executive Officer

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

United Insurance Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2017 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Accumulated losses AED	Investment revaluation reserve AED	Advances for restructuring of share capital AED	Total AED
Balance at 31 December 2015	100,000,000	28,813,026	2,969,044	(138,239,721)	8,295,695	-	1,838,044
Loss for the period	-	-	-	(2,767,703)	-	-	(2,767,703)
Other comprehensive income for the period	-	-	-	-	(2,648,693)	-	(2,648,693)
Total comprehensive loss for the period	-	-	-	(2,767,703)	(2,648,693)	-	(5,416,396)
Balance at 30 June 2016	100,000,000	28,813,026	2,969,044	(141,007,424)	5,647,002	-	(3,578,352)
Balance at 31 December 2016	100,000,000	28,836,750	2,969,044	(138,026,198)	5,402,711	-	(817,693)
Loss for the period	-	-	-	(4,866,186)	-	-	(4,866,186)
Other comprehensive loss for the period	-	-	-	-	(533,008)	-	(533,008)
Total comprehensive loss for the period	-	-	-	(4,866,186)	(533,008)	-	(5,399,194)
Amount collected during the period (note 20)	-	-	-	-	-	101,999,951	101,999,951
<b>Balance at 30 June 2017</b>	<b>100,000,000</b>	<b>28,836,750</b>	<b>2,969,044</b>	<b>(142,892,384)</b>	<b>4,869,703</b>	<b>101,999,951</b>	<b>95,783,064</b>

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

# United Insurance Company (PSC)

## INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 June 2017 (Unaudited)

	Note	Six months ended 30 June	
		2017 AED	2016 AED
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(4,866,186)	(2,767,703)
Adjustments for:			
Depreciation on property and equipment		275,826	311,585
Provision for employees' end of service benefits		241,197	70,371
Allowance made for doubtful debts, net		(49,376)	644,728
Investment Income		(2,833,964)	(4,423,885)
Finance cost		659,101	273,161
Change in fair value of investment held for trading		17,931	-
		<u>(6,555,471)</u>	<u>(5,891,743)</u>
Changes in operating assets and liabilities:			
Insurance contract assets		4,754,920	14,796,649
Insurance and other receivables		(7,176,531)	2,349,286
Insurance contract liabilities		7,262,626	(33,472,015)
Insurance and other payables		8,222,386	9,371,062
Deferred acquisition cost		(449,896)	-
Prepayment and other assets		(754,728)	-
Deferred commission income		373,092	-
		<u>5,676,398</u>	<u>(12,846,761)</u>
Cash generated/(used) in operations		<u>5,676,398</u>	<u>(12,846,761)</u>
Employees' end of service benefits paid		(164,670)	(340,903)
Finance cost paid		(659,101)	(273,161)
		<u>(823,771)</u>	<u>(614,164)</u>
Net cash generated/(used) in operating activities		<u>4,852,627</u>	<u>(13,460,825)</u>
<b>INVESTING ACTIVITIES</b>			
Net movement in fixed deposits		(146,170)	(466,367)
Proceeds from disposal of investments at fair value through profit or loss		(50,348)	23,679
Proceeds from disposal of available-for-sale investments		-	10,660,054
Purchase of available-for-sale investments		-	-
Purchase of property and equipment		-	(162,915)
Income from investment properties received		2,833,964	1,459,227
Interest income		-	297,212
Dividend income		-	605,644
Advances for restructuring of share capital (restricted use)	12	101,999,951	-
		<u>104,637,397</u>	<u>12,416,534</u>
Net cash from investing activities		<u>104,637,397</u>	<u>12,416,534</u>
<b>FINANCING ACTIVITIES</b>			
Term loan		(1,050,000)	20,000,000
Advances for restructuring of share capital	12	(101,999,951)	-
		<u>(1,050,000)</u>	<u>20,000,000</u>
Net cash (used)/generated from financing activities		<u>(103,049,951)</u>	<u>20,000,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,440,073</b>	<b>18,955,709</b>
Cash and cash equivalents at 1 January		(15,683,541)	(16,952,615)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	10	<u><u>(9,243,468)</u></u>	<u><u>2,003,094</u></u>

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

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 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.

The Company incurred a total comprehensive loss of AED 4,866,186 for the six months ended 30 June 2017 (30 June 2016: losses of AED 2,767,703) and, as of that date, its accumulated losses amounted to AED 142,892,384 (2016: AED 138,026,198). These financial statements have been prepared on a going concern basis based on restructuring plans which are under implementation as at 30 June 2017.

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, 30 April 2016 and 5 January 2017 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

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

- capital reduction up to the carrying value of existing share capital by offset against accumulated losses as per the financial position as at 31 December 2016
- admission of a strategic shareholder with shareholding percentage of 25% of share capital (AED 25 million)
- the immediate issuance of new share capital collected through subscription rights of the existing shareholders, to the extent of AED 75 million
- the subscription process for right issue was initiated on 19 April 2017.

Subsequent to balance sheet date, the Company has successfully substantially completed the restructuring plan (note 20).



# United Insurance Company (PSC)

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

### 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 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 six months ended 30 June 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 30 June 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>Investments</i>		<i>Total</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Underwriting Income	<b>46,685,281</b>	43,455,253	-	-	<b>46,685,281</b>	43,455,253
<b>Net Underwriting Loss</b>	<b>(6,533,118)</b>	(6,374,512)	-	-	<b>(6,533,118)</b>	(6,374,512)
Investment Income	-	-	<b>2,833,964</b>	4,423,885	<b>2,833,964</b>	4,423,885
Unallocated other expenses (net)					<b>(1,167,032)</b>	(817,076)
<b>Loss for the period</b>					<b>(4,866,186)</b>	(2,767,703)

United Insurance Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Identification of reportable segments (continued)

Primary segment information (continued)

	General insurance		Investment		Total	
	30 June 2017 AED	31 December 2016 AED (Audited)	30 June 2017 AED	31 December 2016 AED (Audited)	30 June 2017 AED	31 December 2016 AED (Audited)
Segment assets	160,032,287	135,459,675	72,235,794	93,537,563	232,268,081	228,997,238
Unallocated assets					104,183,600	2,192,347
Segment liabilities	239,284,991	230,700,182	-	-	239,284,991	230,700,182
Unallocated liabilities					1,383,626	1,307,096
<b>Total liabilities</b>					<b>240,668,617</b>	<b>232,007,278</b>

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 30 June 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</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Motor	5,610,439	4,409,020	10,808,600	8,968,119
Marine	502,420	615,036	1,272,377	1,480,493
Medical	7,479,560	4,090,597	22,869,453	17,790,267
Fire	1,513,775	3,658,356	4,970,340	7,353,593
Engineering, Property, general Accidents and others	2,782,059	2,834,966	6,764,511	7,862,781
	<u>17,888,253</u>	<u>15,607,975</u>	<u>46,685,281</u>	<u>43,455,253</u>

### 4 BASIC AND DILUTED (LOSS)/PROFIT 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>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
for the period (AED)	(1,642,175)	2,185,705	(4,866,186)	(2,767,703)
Weighted average number of shares 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)/profit per share (AED)	<u>(0.016)</u>	<u>0.022</u>	<u>(0.049)</u>	<u>(0.028)</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 (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

### 6 FINANCIAL INSTRUMENTS

	<i>Carrying Value</i>		<i>Fair Value</i>	
	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Available- for-sale investments (Note 6 (a))	<b>11,652,536</b>	12,185,544	<b>11,652,536</b>	12,185,544
Investments held for trading (Note 6 b)	<b>2,083,258</b>	2,101,189	<b>2,083,258</b>	2,101,189
	<b>13,735,794</b>	14,286,733	<b>13,735,794</b>	14,286,733

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

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Quoted Equity Securities</i>		
Within UAE	<b>11,652,536</b>	12,185,544
	<b>11,652,536</b>	12,185,544

#### 6 (b) Investments held for trading

	<i>30 June 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	<b>2,073,258</b>	2,091,189
	<b>2,083,258</b>	2,101,189

### 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.

#### *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 (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (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.

	<b>30 June 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>11,652,536</b>	12,185,544	Level 1	Quoted bid prices in an active market	N/A
<i>Investments held for trading</i>					
Unquoted Investments	<b>2,083,258</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>30 June 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
Opening balance	<b>2,101,189</b>	2,159,131
Disposal during the period	<b>(4,728)</b>	(13,201)
Fair value adjustment	<b>(13,203)</b>	(44,741)
	<b><u>2,083,258</u></b>	<u>2,101,189</u>

### 8 INSURANCE RECEIVABLES

	<b>30 June 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
Due from policyholders	<b>43,201,315</b>	37,166,239
Due from insurance companies	<b>10,673,136</b>	13,266,139
Due from reinsurance companies	<b>6,855,870</b>	3,022,660
Less : Allowance for doubtful debts	<b>(19,655,024)</b>	(19,605,648)
	<b><u>41,075,297</u></b>	<u>33,849,390</u>

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

### 8 INSURANCE RECEIVABLES (continued)

Significant portion 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:

	<b>30 June 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
At 1 January	19,605,648	24,306,473
Charge for the period / year	1,188,461	1,561,268
Allowance written back during the period / year	(1,139,085)	(6,262,093)
At end of period / year	<u>19,655,024</u>	<u>19,605,648</u>

### 9 STATUTORY DEPOSIT

	<b>30 June 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>
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 2016: 2.25%).

### 10 BANK BALANCES AND CASH

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

	<b>30 June 2017 AED</b>	<b>31 December 2016 AED (Audited)</b>	<b>30 June 2016 AED (Unaudited)</b>
Current accounts and cash	350,183	290,407	2,706,079
Call accounts	227,079	70,074	236,733
Bank deposits	20,897,000	20,750,830	20,750,830
Right issue capital account *	101,999,951	-	-
	<u>123,474,213</u>	<u>21,111,311</u>	<u>23,693,642</u>

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

\* The amount is subscription amount received for issue of share capital. The amount is deposited in escrow account which is in the name of company and is for restricted use only as on 30 June 2017. Subsequent to the balance sheet date, the subscription amount net of refunds has been transferred to the company's account on 6 July 2017 (Note 20).

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

### 10 BANK BALANCES AND CASH (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, net of restricted cash 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 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>30 June 2016 AED (Unaudited)</i>
Bank balances and cash	123,474,213	21,111,311	23,693,642
Bank deposits with maturity over 3 months	(20,897,000)	(20,750,830)	(20,750,830)
Bank overdraft	(9,820,730)	(16,044,022)	(939,718)
Right issue capital account	(101,999,951)	-	-
	<u>(9,243,468)</u>	<u>(15,683,541)</u>	<u>2,003,094</u>

### 11 SHARE CAPITAL

	<i>30 June 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 ADVANCES FOR RESTRUCTURING OF SHARE CAPITAL

The Company completed the raising of additional funding as part of the restructuring plan, for the purpose of issuance of new share capital collected through the subscription of rights issued to the existing shareholders and admission of a strategic investors. The subscription process for the new share capital was at AED 1.02 per share which was initiated on 26 April 2017 and subscription was closed on 6 June 2017. Total of 100,000,000 shares were subscribed to, of which 99,999,952 shares were issued. Total amount collected was AED 102,000,000 (including issuance fee of 2% of AED 2,000,000) where 75% was from existing shareholders and 25% was from a strategic partner (note 20).

### 13 RESERVES

#### *Statutory Reserve*

The reserve is not available for distribution except in the circumstances stipulated by the UAE Commercial Companies Law.

#### **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 30 June 2017 (Unaudited)

### 14 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<b><i>Insurance contract liabilities:</i></b>		
Claims reported unsettled	84,114,589	89,833,084
Claims incurred but not reported	13,085,927	13,355,651
Unearned premiums reserve	38,916,301	25,223,930
Premium deficiency reserve	1,499,817	1,856,000
Unallocated loss adjustment Expenses	1,393,657	1,479,000
	<u>139,010,291</u>	<u>131,747,665</u>
<b><i>Insurance contract assets:</i></b>		
Reinsurance share of claims reported unsettled	59,531,717	68,896,716
Reinsurance share of claims incurred but not reported	6,298,976	6,916,651
Reinsurance share of unearned premiums	20,074,041	14,846,287
	<u>85,904,734</u>	<u>90,659,654</u>
<b><i>Insurance contract liabilities - net</i></b>		
Claims reported unsettled	24,582,872	20,936,368
Claims incurred but not reported	6,786,951	6,439,000
Unearned premiums	18,842,260	10,377,643
Premium deficiency reserve	1,499,817	1,856,000
Unallocated loss adjustment expenses	1,393,657	1,479,000
	<u>53,105,557</u>	<u>41,088,011</u>

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

### 15 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 30 June 2017</b>				
Loan I	2,200,000	15,700,000	17,900,000	14 June 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.

### 16 BANK OVERDRAFT

The company has overdraft limit of AED 28,000,000 out of which AED 18,179,270 is unutilised. Bank overdraft carries interest at base lending rate of 4.5% per annum (31 December: 2016: 2.75% to 3.25%)

# United Insurance Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

### 17 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

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Due from policyholders	7,522,080	2,136,972
Outstanding claims	<u>2,550,159</u>	<u>35,208</u>

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>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
Gross premium	4,920,912	2,154,186	14,076,438	11,189,369
Claims Paid	(2,041,374)	(2,549,762)	(4,260,920)	(4,934,190)
Remuneration of key management personnel	402,363	331,292	700,969	627,351

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

### 18 CONTINGENCIES

#### *Contingent liabilities*

At 30 June 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.

### 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 June 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.

## United Insurance Company (PSC)

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

#### 20 SUBSEQUENT EVENTS

Subsequent to the date of the statement of financial position, the Company completed the raising of additional funding as part of the restructuring plan, which involves the issuance of new share capital collected through the subscription of rights issued to the existing shareholders and admission of a strategic investors. The subscription process for the new share capital was at AED 1.02 per share which was initiated on 26 April 2017 and subscription was closed on 6 June 2017. Total of 100,000,000 shares were subscribed to, of which 99,999,952 shares were issued and approved by board on 2 August 2017. A total amount of AED 102,000,000 (including issuance fee of 2% of AED 2,000,000) was collected where 75% was from existing shareholders and 25% was from strategic partner.

The amount is in escrow account in the name of company and is for restricted use only as on 30 June 2017. Subsequent to the balance sheet date, the subscription amount of AED 101,999,951 (after refund) has been transferred to the company's account on 6 July 2017.