

United Insurance Company (PSC)
(Public Shareholding Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2017

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 2017, comprising the interim statement of financial position as at 30 September 2017 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.

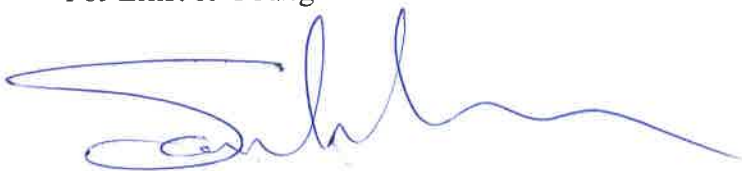
Scope of Review

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.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No.: 690

22 October 2017

Dubai, United Arab Emirates

United Insurance Company (P.S.C.)

INTERIM STATEMENT OF INCOME

For the period ended 30 September 2017 (Unaudited)

	Note	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
		2017 AED	2016 AED	2017 AED	2016 AED
UNDERWRITING INCOME					
Gross premium		15,698,672	10,831,746	62,383,953	54,286,999
Movement in provision for unearned premium		2,204,983	8,487,932	(11,487,388)	13,904,278
Movement in premium deficiency reserve		1,232,656	-	1,588,839	4,575,000
Insurance premium revenue		19,136,311	19,319,678	52,485,404	72,766,277
Reinsurance share of premium		(7,744,697)	(6,685,521)	(33,480,212)	(37,971,112)
Movement in provision for reinsurance share of unearned premium		(2,154,563)	(6,378,686)	3,073,191	(1,751,819)
Reinsurance share of premium revenue		(9,899,260)	(13,064,207)	(30,407,021)	(39,722,931)
Net insurance premium revenue		9,237,051	6,255,471	22,078,383	33,043,346
Reinsurance commission income		695,941	1,695,462	2,505,801	7,802,363
Other (expenses)/income		(573,931)	73,317	(561,278)	91,207
Total underwriting income		9,359,061	8,024,250	24,022,906	40,936,916
UNDERWRITING EXPENSES					
Gross claims incurred		(5,356,423)	(8,996,378)	(15,470,505)	(49,689,177)
Reinsurers' share of claims incurred		667,887	3,896,899	2,911,161	23,086,574
Net claims incurred		(4,688,536)	(5,099,479)	(12,559,344)	(26,602,603)
Commission expenses		(1,726,908)	(1,889,026)	(5,353,046)	(8,693,967)
Allowances made for doubtful debts, net		(357,088)	(574,678)	(406,464)	(1,219,406)
General and administrative expenses relating to underwriting activities		(4,005,270)	(4,336,133)	(13,655,911)	(14,670,518)
Total underwriting expenses		(10,777,802)	(11,899,316)	(31,974,765)	(51,186,494)
NET UNDERWRITING LOSS		(1,418,741)	(3,875,066)	(7,951,859)	(10,249,578)
Investment income		1,234,293	1,031,130	4,068,257	5,455,015
General and administrative expenses not allocated to underwriting activities		(210,804)	(228,219)	(718,735)	(772,133)
Finance costs		(217,626)	(271,606)	(876,727)	(544,767)
LOSS FOR THE PERIOD		(612,878)	(3,343,761)	(5,479,064)	(6,111,463)
Basic and diluted loss per share (AED)	4	(0.006)	(0.033)	(0.055)	(0.061)

The attached explanatory notes 1 to 18 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 2017 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Unaudited)</i>		<i>30 September (Unaudited)</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>
Loss for the period	(612,878)	(3,343,761)	(5,479,064)	(6,111,463)
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Net (decrease)/increase in fair value of available-for-sale investments	(166,905)	62,850	(699,913)	(603,514)
Net realised gain on disposal of available-for-sale investments transferred to income statement	-	-	-	(1,982,329)
Other comprehensive (loss)/income for the period	(166,905)	62,850	(699,913)	(2,585,843)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(779,783)	(3,280,911)	(6,178,977)	(8,697,306)

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

United Insurance Company (P.S.C.)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2017 (Unaudited)

		<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
	<i>Notes</i>		
ASSETS			
Property and equipment		1,517,161	1,831,865
Investment properties	5	58,500,000	58,500,000
Financial instruments	6	13,572,389	14,286,733
Deferred acquisition costs		3,083,505	2,235,672
Statutory deposit	8	6,000,000	6,000,000
Insurance contract assets	9	75,671,545	90,659,654
Insurance receivables	10	34,048,108	33,849,390
Prepayment & other receivables	10	2,581,332	2,714,960
Bank balances and cash	11	90,482,330	21,111,311
TOTAL ASSETS		285,456,370	231,189,585
EQUITY AND LIABILITIES			
Equity			
Share capital	12	100,000,000	100,000,000
Statutory reserve	13	-	28,836,750
General reserve	13	1,119,524	2,969,044
Accumulated losses		(11,699,516)	(138,026,198)
Investment revaluation reserve	13	4,702,798	5,402,711
Total equity / (deficiency of assets)		94,122,806	(817,693)
Liabilities			
Employees' end of service benefits		1,509,433	1,307,096
Term loan from bank	14	-	18,950,000
Bank overdraft	15	23,664	16,044,022
Insurance contract liabilities	9	127,506,623	131,747,665
Deferred commission income		1,682,880	1,231,274
Insurance and other payables		60,610,964	62,727,221
Total liabilities		191,333,564	232,007,278
TOTAL EQUITY AND LIABILITIES		285,456,370	231,189,585

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 22 October 2017.

Chairman

Chief Executive Officer

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

United Insurance Company (P.S.C.)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 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	-	-	-	(6,111,463)	-	(6,111,463)
Other comprehensive loss for the period	-	-	-	-	(2,585,843)	(2,585,843)
Total comprehensive loss for the period	-	-	-	(6,111,463)	(2,585,843)	(8,697,306)
Balance at 30 September 2016 (unaudited)	100,000,000	28,813,026	2,969,044	(144,351,184)	5,709,852	(6,859,262)
Balance at 31 December 2016 (audited)	100,000,000	28,836,750	2,969,044	(138,026,198)	5,402,711	(817,693)
Accumulated losses written off (note-1)	(99,999,952)	(28,836,750)	(2,969,044)	131,805,746	-	-
Increase in share capital (note-1)	99,999,952	-	-	-	-	99,999,952
Issuance fee collected from shareholders (note-1)	-	-	1,999,999	-	-	1,999,999
Direct expenses related to right issue (note-1)	-	-	(880,475)	-	-	(880,475)
Loss for the period	100,000,000	-	1,119,524	(6,220,452)	5,402,711	100,301,783
Other comprehensive income for the period	-	-	-	(5,479,064)	-	(5,479,064)
Total comprehensive loss for the period	-	-	-	-	(699,913)	(699,913)
Balance at 30 September 2017 (unaudited)	100,000,000	-	1,119,524	(11,699,516)	4,702,798	94,122,806

The attached explanatory notes 1 to 18 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 2017 (Unaudited)

	Note	<i>Nine months ended 30 September</i>	
		<i>2017 AED</i>	<i>2016 AED</i>
OPERATING ACTIVITIES			
Loss for the period		(5,479,064)	(6,111,463)
Adjustments for:			
Depreciation on property and equipment		411,242	439,442
Provision for employees' end of service benefits		367,007	178,411
Allowance made for doubtful debts, net		(406,464)	1,219,406
Investment Income		(4,068,257)	(5,455,015)
Finance cost		876,727	544,767
Change in fair value of investments held for trading		14,431	-
		(8,284,378)	(9,184,452)
Changes in operating assets and liabilities:			
Insurance contract assets		14,988,109	30,896,114
Insurance receivables		207,746	7,442,753
Insurance contract liabilities		(4,241,042)	(52,310,206)
Insurance and other payables		(2,116,257)	(292,486)
Deferred Acquisition Costs		(847,833)	-
Deferred Commission Income		451,606	-
Prepayment & other assets		133,628	-
Cash used in operations		291,579	(23,448,277)
Employees' end of service benefits paid		(164,670)	(398,279)
Finance cost paid		(876,727)	(544,767)
Net cash used in operating activities		(749,818)	(24,391,323)
INVESTING ACTIVITIES			
Net movement in fixed deposits		(62,646,170)	(466,367)
Proceeds from disposal of investments at fair value through profit or loss		-	23,679
Proceeds from disposal of available-for-sale investments		-	10,660,054
Purchase of property and equipment		(96,538)	(663,940)
Income from investment properties received		4,068,257	2,343,694
Interest income		-	450,732
Dividend income		-	605,644
Net cash from investing activities		(58,674,451)	12,953,496
FINANCING ACTIVITY			
Term loan / (repayment of term loan)		(18,950,000)	19,475,000
Right shares issued		99,999,952	-
Issuance fee collected		1,999,999	-
Direct expenses related to right issue		(880,475)	-
Cash from financing activity		82,169,476	19,475,000
INCREASE IN CASH AND CASH EQUIVALENTS		22,745,207	8,037,173
Cash and cash equivalents at 1 January		(15,683,541)	(16,952,615)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	11	7,061,666	(8,915,442)

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

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 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 2016 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 2016, concerning Commercial Companies has come into effect from 28 June 2016, 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.

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

- additional funding was raised as part of the restructuring plan, which involved 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;
- issuance fee of 2% was collected and direct expenses related to issue were set off against the amount and the balance amount was transferred to reserve;
- accumulated losses were set off against share capital, statutory reserve and general reserve.

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 2016. In addition, results for the nine months ended 30 September 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 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 2016.

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2017 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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.

3 SEGMENTAL INFORMATION

Identification of reportable segments

For management purposes, the Company is organized 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</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</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	62,383,953	54,286,999	-	-	62,383,953	54,286,999
Net underwriting loss	(7,951,859)	(10,249,578)	-	-	(7,951,859)	(10,249,578)
Investment income	-	-	4,068,257	5,455,015	4,068,257	5,455,015
Unallocated other expenses (net)					(1,595,462)	(1,316,900)
Loss for the period					(5,479,064)	(6,111,463)

	<i>Underwriting</i>		<i>Investments</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</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>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment Assets	123,986,980	135,459,675	161,469,390	93,537,563	285,456,370	228,997,238
Unallocated Assets	-	-	-	-	-	2,192,347
Total Assets					285,456,370	231,189,585
Segment Liabilities	191,333,565	230,700,182	-	-	191,333,565	230,700,182
Unallocated Liabilities					-	1,307,096
Total Liabilities					191,333,565	232,007,278

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2017 (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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
Motor	5,357,888	3,084,194	16,166,487	12,052,313
Marine	509,923	442,364	1,782,300	1,922,857
Medical	5,922,443	3,514,587	28,956,220	21,304,854
Fire	1,450,949	1,844,063	6,421,289	9,197,656
Engineering, Property, general Accidents and others	2,457,469	1,946,538	9,057,657	9,809,319
	15,698,672	10,831,746	62,383,953	54,286,999

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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Loss for the period (AED)	(612,878)	(3,343,761)	(5,479,064)	(6,111,463)
Weighted average number of shares outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000
Loss per share (AED)	(0.006)	(0.033)	(0.055)	(0.061)

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 facility (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 2017 (Unaudited)

6 FINANCIAL INSTRUMENTS

	<i>Carrying Value</i>		<i>Fair Value</i>	
	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Available- for-sale investments (Note 6 (a))	11,485,631	12,185,544	11,485,631	12,185,544
Investments at fair value through profit or loss (Note 6 (b))	2,086,758	2,101,189	2,086,758	2,101,189
	13,572,389	14,286,733	13,572,389	14,286,733

6 (a) Available- for-sale investments

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Quoted Equity Securities</i>		
Within UAE	11,485,631	12,185,544
	11,485,631	12,185,544

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

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Unquoted Mutual fund units</i>		
Within UAE	13,500	10,000
Outside UAE	2,073,258	2,091,189
	2,086,758	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 (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 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.

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
<i>Available-for-sale</i> Quoted Investments	11,485,631	12,185,544	Level 1	Quoted bid prices in an active market	N/A
	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
<i>Investments at fair value through profit or loss</i> Unquoted Investments	2,086,758	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:

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Opening balance	2,101,189	2,159,131
Disposal during the period	(4,728)	(13,201)
Fair value adjustment	(9,703)	(44,741)
	<u>2,086,758</u>	<u>2,101,189</u>

8 STATUTORY DEPOSIT

	<i>30 September 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 per annum of 2.25% (31 December 2016: 1.75%).

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2017 (Unaudited)

9 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Claims reported unsettled	76,612,268	89,833,084
Claims incurred but not reported	12,556,709	13,355,651
Unearned Premiums	36,711,318	25,223,930
Premium Deficiency Reserve	267,161	1,856,000
Unallocated loss adjustment Expenses	1,359,167	1,479,000
	<u>127,506,623</u>	<u>131,747,665</u>
<i>Insurance contract assets:</i>		
Claims reported unsettled	52,033,216	68,896,716
Claims incurred but not reported	5,718,851	6,916,651
Unearned Premiums	17,919,478	14,846,287
	<u>75,671,545</u>	<u>90,659,654</u>
<i>Insurance contract liabilities - net</i>		
Claims reported unsettled	24,579,052	20,936,368
Claims incurred but not reported	6,837,858	6,439,000
Unearned Premiums	18,791,840	10,377,643
Premium Deficiency Reserve	267,161	1,856,000
Unallocated loss adjustment expenses	1,359,167	1,479,000
	<u>51,835,078</u>	<u>41,088,011</u>

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

10 INSURANCE AND OTHER RECEIVABLES

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<i>Receivables arising from insurance and reinsurance contracts</i>		
Due from policyholders	38,632,717	37,166,239
Due from insurance companies	8,606,419	13,266,139
Due from reinsurance companies	6,821,084	3,022,660
Allowance for doubtful debts	(20,012,112)	(19,605,648)
	<u>34,048,108</u>	<u>33,849,390</u>
<i>Other receivables</i>		
Prepayment and Other receivables	2,581,332	2,714,960
	<u>36,629,440</u>	<u>36,564,350</u>

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2017 (Unaudited)

10 INSURANCE AND OTHER 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 9. The amounts due from reinsurers are normally settled on a quarterly basis.

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

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
At 1 January	19,605,648	24,306,473
Charge for the period / year	1,630,347	1,561,268
Written back during the period / year	(1,223,883)	(6,262,093)
At end of period / year	<u>20,012,112</u>	<u>19,605,648</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 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Current accounts and cash	6,894,555	290,407
Call accounts	190,775	70,074
Fixed deposits	83,397,000	20,750,830
	<u>90,482,330</u>	<u>21,111,311</u>

Bank balances are maintained with banks in U.A.E. The annual interest rate on fixed deposits is 2.225% (31 December 2016: 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 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>	<i>30 September 2016 AED (Unaudited)</i>
Bank balances and cash	90,482,330	21,111,311	23,655,767
Bank deposits with maturity over 3 months	(83,397,000)	(20,750,830)	(20,750,830)
Bank overdraft	(23,664)	(16,044,022)	(11,820,379)
	<u>7,061,666</u>	<u>(15,683,541)</u>	<u>(8,915,442)</u>

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2017 (Unaudited)

12 SHARE CAPITAL

	<i>30 September 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>

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. During the period the accumulated losses were set off against share capital, statutory reserve and general reserve. (Note-1)

13 RESERVES

Statutory Reserve

The reserve is not available for distribution except in the circumstances stipulated by the UAE Commercial Companies Law. The balance as at 31st December 2016 amounting to AED 28,836,750 has been adjusted with the accumulated losses during current quarter. This has been approved in the AGM on 2nd August 2017.

General Reserve

This reserve may be used for such purposes as deemed appropriate by the Board of Directors. The balance as at 31st December 2016 amounting to AED 2,969,044 has been adjusted with the accumulated losses during current quarter. This has been approved in the AGM on 2nd August 2017.

Investment Revaluation Reserve

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

14 TERM LOAN FROM BANK

The Company had obtained a term loan from a reputed bank within UAE for funding for the working capital requirements. The interest was payable on quarterly basis at 4.5% per annum. The loan was 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. Term loan has been paid in full during the current quarter.

15 BANK OVERDRAFT

The company has overdraft limit of AED 28,000,000 out of which AED 27,976,336 is unutilised. Bank Overdraft carries interest at base lending rate of 4.5% per annum (31 December: 2016: range of 2.75% to 4.5%)

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 2017 (Unaudited)

16 RELATED PARTY TRANSACTIONS (continued)

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

	<i>30 September 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Due from policyholders	5,423,061	2,136,972
Outstanding claims	2,550,159	35,208

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 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
Gross premium	1,043,311	670,768	15,119,749	11,860,137
Claims Paid	(2,174,888)	(207,920)	(6,435,808)	(5,142,110)
Remuneration of key management personnel	285,797	255,751	912,475	883,102

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

17 CONTINGENCIES

Contingent liabilities

At 30 September 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 5,530,923 (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 position.

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 30 September 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.