

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

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2018 (UNAUDITED)**

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

### ***Introduction***

We have reviewed the accompanying interim condensed financial statements of United Insurance Company P.S.C. as at 30 September 2018, comprising the interim statement of financial position as at 30 September 2018 and the related interim statements of income and comprehensive income for the three month and nine month periods, and the related 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



Signed by:  
Ashraf Abu-Sharkh  
Partner  
Registration No.: 690

30 October 2018

Dubai, United Arab Emirates

# United Insurance Company (P.S.C.)

## INTERIM STATEMENT OF INCOME

For the period ended 30 September 2018 (Unaudited)

	Note	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
		2018 AED	2017 AED	2018 AED	2017 AED
<b>UNDERWRITING INCOME</b>					
Gross premium		44,608,465	15,698,672	97,609,487	62,383,953
Movement in provision for unearned premium		(15,450,563)	2,204,983	(24,204,884)	(11,487,388)
Movement in premium deficiency reserve		(1,022,878)	1,232,656	(904,637)	1,588,839
Insurance premium revenue		<u>28,135,024</u>	<u>19,136,311</u>	<u>72,499,966</u>	<u>52,485,404</u>
Reinsurance share of premium		(27,527,955)	(7,744,697)	(56,121,999)	(33,480,212)
Movement in provision for reinsurance share of unearned premium		9,977,082	(2,154,563)	14,639,445	3,073,191
Reinsurance share of premium revenue		<u>(17,550,873)</u>	<u>(9,899,260)</u>	<u>(41,482,554)</u>	<u>(30,407,021)</u>
Net insurance premium revenue		10,584,151	9,237,051	31,017,412	22,078,383
Reinsurance commission income		968,039	695,941	2,603,585	2,505,801
Other income		(950)	(74)	88,815	258,826
<b>Total underwriting income</b>		<u>11,551,240</u>	<u>9,932,918</u>	<u>33,709,812</u>	<u>24,843,010</u>
<b>UNDERWRITING EXPENSES</b>					
Gross claims incurred		(17,439,124)	(5,356,423)	(46,352,743)	(15,470,505)
Reinsurers' share of claims incurred		12,634,583	667,887	31,436,173	2,911,161
Net claims incurred		(4,804,541)	(4,688,536)	(14,916,570)	(12,559,344)
Commission expenses		(3,182,428)	(2,300,765)	(8,886,681)	(6,173,150)
Other underwriting expenses		(1,483,612)	(485,746)	(1,998,046)	(1,024,290)
General and administrative expenses relating to underwriting activities		(7,540,317)	(3,876,612)	(21,252,707)	(13,038,085)
<b>Total underwriting expenses</b>		<u>(17,010,898)</u>	<u>(11,351,659)</u>	<u>(47,054,004)</u>	<u>(32,794,869)</u>
<b>NET UNDERWRITING LOSS</b>		<u>(5,459,658)</u>	<u>(1,418,741)</u>	<u>(13,344,192)</u>	<u>(7,951,859)</u>
Investment income		7,277,061	1,234,293	12,240,266	4,068,257
General and administrative expenses not allocated to underwriting activities		(693)	(210,804)	(73,461)	(718,735)
Finance costs		-	(217,626)	-	(876,727)
<b>INCOME/ (LOSS) FOR THE PERIOD</b>		<u>1,816,710</u>	<u>(612,878)</u>	<u>(1,177,387)</u>	<u>(5,479,064)</u>
Basic and diluted loss per share (AED)	4	<u>0.018</u>	<u>(0.006)</u>	<u>(0.012)</u>	<u>(0.055)</u>

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Unaudited)</i>		<i>30 September (Unaudited)</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Income/ (loss) for the period	<b>1,816,710</b>	(612,878)	<b>(1,177,387)</b>	(5,479,064)
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Net increase/ (decrease) in fair value of available-for-sale investments	<b>1,002,748</b>	(166,905)	<b>(49,862)</b>	(699,913)
Net realised gain on disposal of available-for-sale investments transferred to income statement	<b>(4,446,095)</b>	-	<b>(4,932,922)</b>	-
<b>Other comprehensive loss for the period</b>	<b>(3,443,347)</b>	(166,905)	<b>(4,982,784)</b>	(699,913)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(1,626,637)</b>	<b>(779,783)</b>	<b>(6,160,171)</b>	<b>(6,178,977)</b>

The attached explanatory notes 1 to 16 form part of these interim condensed financial statements.

# United Insurance Company (P.S.C.)

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

	<i>Notes</i>	<b>30 September 2018 AED (Unaudited)</b>	<b>31 December 2017 AED (Audited)</b>
<b>ASSETS</b>			
Property and equipment		1,572,904	1,503,380
Investment properties	5	56,638,000	56,638,000
Financial instruments	6	37,144,195	29,366,848
Insurance contract assets	13	101,833,814	79,371,560
Deferred acquisition costs		6,722,335	4,704,927
Insurance receivables	8	44,755,409	30,809,893
Prepayment & other receivables		2,138,060	2,340,607
Statutory deposit	9	6,000,000	6,000,000
Bank balances and cash	10	73,238,503	75,899,513
<b>TOTAL ASSETS</b>		<b>330,043,220</b>	<b>286,634,728</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	100,000,000	100,000,000
General reserve	12	1,119,524	1,119,524
Accumulated losses		(18,724,726)	(17,547,339)
Investment revaluation reserve	12	(1,149,327)	3,833,457
<b>Total equity</b>		<b>81,245,471</b>	<b>87,405,642</b>
<b>Liabilities</b>			
Employees' end of service benefits		1,509,624	1,255,238
Insurance contract liabilities	13	165,694,202	132,637,834
Deferred commission income		2,220,878	1,460,119
Insurance and other payables		79,373,045	63,875,895
<b>Total liabilities</b>		<b>248,797,749</b>	<b>199,229,086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>330,043,220</b>	<b>286,634,728</b>

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 30 October 2018.

Chairman

Chief Executive Officer

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Accumulated losses AED	Investment revaluation reserve AED	Total AED
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	(99,999,952)	(28,836,750)	(2,969,044)	131,805,746	-	-
Increase in share capital	99,999,952	-	-	-	-	99,999,952
Issuance fees collected from shareholders	-	-	1,999,999	-	-	1,999,999
Direct expenses related to right issue	-	-	(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 loss 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
Balance at 31 December 2017 (audited)	100,000,000	-	1,119,524	(17,547,339)	3,833,457	87,405,642
Loss for the period	-	-	-	(1,177,387)	-	(1,177,387)
Other comprehensive loss for the period	-	-	-	-	(4,982,784)	(4,982,784)
Total comprehensive loss for the period	-	-	-	(1,177,387)	(4,982,784)	(6,160,171)
<b>Balance at 30 September 2018 (unaudited)</b>	<b>100,000,000</b>	<b>-</b>	<b>1,119,524</b>	<b>(18,724,726)</b>	<b>(1,149,327)</b>	<b>81,245,471</b>

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

		<i>Nine months ended 30 September</i>	
		<i>2018</i>	<i>2017</i>
		<i>AED</i>	<i>AED</i>
	<i>Note</i>		
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(1,177,387)	(5,479,064)
Adjustments for:			
Depreciation on property and equipment		411,701	411,242
Provision for employees' end of service benefits		436,292	367,007
Allowance made for doubtful debts, net		(1,993,712)	(406,464)
Investment Income		(12,240,266)	(4,068,257)
Finance cost		-	876,727
Change in fair value of investments held for trading		-	14,431
		<u>(14,563,372)</u>	<u>(8,284,378)</u>
Changes in operating assets and liabilities:			
Insurance contract assets		(22,462,254)	14,988,109
Insurance receivables		(11,951,804)	207,746
Insurance contract liabilities		33,056,368	(4,241,042)
Insurance and other payables		15,497,150	(2,116,256)
Deferred acquisition costs		(2,017,408)	(847,833)
Deferred commission income		760,759	451,606
Prepayment & other assets		202,547	133,628
		<u>(1,478,014)</u>	<u>291,580</u>
Cash from operations		(1,478,014)	291,580
Employees' end of service benefits paid		(181,906)	(164,670)
Finance cost paid		-	(876,727)
		<u>(1,659,920)</u>	<u>(749,817)</u>
Net cash from/ (used in) operating activities		<u>(1,659,920)</u>	<u>(749,817)</u>
<b>INVESTING ACTIVITIES</b>			
Net movement in fixed deposits		(39,510,588)	(62,646,170)
Proceeds from disposal of investments at fair value through profit or loss		26,385	-
Proceeds from disposal of available-for-sale investments		22,628,069	-
Purchase of property and equipment		(481,225)	(96,538)
Income from investment properties received		2,199,625	4,068,257
Purchase of available for sale investments		(35,414,585)	-
Interest income		998,839	-
Dividend income		2,389,802	-
Gain in available for sale investments		6,652,000	-
		<u>(40,511,678)</u>	<u>(58,674,451)</u>
Net cash used in investing activities		<u>(40,511,678)</u>	<u>(58,674,451)</u>
<b>FINANCING ACTIVITIES</b>			
Term loan		-	(18,950,000)
Issue of new equity		-	100,000,000
Expenses related to issue of new equity		-	1,119,475
		<u>-</u>	<u>82,169,475</u>
Cash from financing activities		<u>-</u>	<u>82,169,475</u>
<b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(42,171,598)</u>	<u>22,745,207</u>
Cash and cash equivalents at 1 January		<u>75,899,513</u>	<u>(15,683,541)</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	10	<u><u>33,727,915</u></u>	<u><u>7,061,666</u></u>

The attached explanatory notes 1 to 16 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 2018 (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 2017, 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.

### 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 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017.

#### **Interim reporting**

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these interim condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2017.

#### **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.

#### **IFRS 9 Financial Instruments**

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.



# United Insurance Company (P.S.C.)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

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

#### 2.1 BASIS OF PREPARATION (continued)

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Revenue arising from insurance contracts and from financial instruments is outside the scope of IFRS 15. The impact on the recognition of revenue from other services delivered to customers by the Company is expected to be insignificant.

### 3 SEGMENTAL INFORMATION

#### Identification of reportable segments

##### Primary segment information

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>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Segment revenue - Gross	97,609,487	62,383,95	-	-	97,609,487	62,383,953
Segment Result	(13,344,192)	(7,951,859)	12,240,266	4,068,257	(1,103,926)	(3,883,602)
Unallocated cost (net)					(73,461)	(1,595,462)
<b>Loss for the period</b>					<b>(1,177,387)</b>	<b>(5,479,064)</b>

	<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>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</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	161,449,618	123,226,987	133,292,783	86,004,848	294,742,401	209,231,835
Unallocated Assets					35,300,819	77,402,893
<b>Total Assets</b>					<b>330,043,220</b>	<b>286,634,728</b>
Segment Liabilities	247,288,125	197,973,848	-	-	247,288,125	197,973,848
Unallocated Liabilities					1,509,624	1,255,238
<b>Total Liabilities</b>					<b>248,797,749</b>	<b>199,229,086</b>

## United Insurance Company (P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (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>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Motor	12,257,551	5,357,888	23,742,316	16,166,487
Marine	1,034,596	509,923	2,461,351	1,782,300
Medical	26,173,943	5,922,443	56,002,367	28,956,220
Fire	2,254,124	1,450,949	6,348,904	6,421,289
Engineering, Property, general Accidents and others	2,888,251	2,457,469	9,054,549	9,057,657
	<u>44,608,465</u>	<u>15,698,672</u>	<u>97,609,487</u>	<u>62,383,953</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>		<i>Nine months ended</i>	
	<i>30 September (Unaudited)</i>		<i>30 September (Unaudited)</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Profit/(Loss) for the period (AED)	1,816,710	(612,878)	(1,177,387)	(5,479,064)
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>
Earnings/ (loss) per share (AED)	<u>0.018</u>	<u>(0.006)</u>	<u>(0.012)</u>	<u>(0.055)</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).

# United Insurance Company (P.S.C.)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 6 FINANCIAL INSTRUMENTS

	<i>Carrying Value</i>		<i>Fair Value</i>	
	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Available- for-sale investments (Note 6 (a))	<b>34,995,702</b>	27,191,970	<b>34,995,702</b>	27,191,970
Investments at fair value through profit or loss (Note 6 (b))	<b>2,148,493</b>	2,174,878	<b>2,148,493</b>	2,174,878
	<b>37,144,195</b>	29,366,848	<b>37,144,195</b>	29,366,848

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

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<i>Quoted Equity Securities</i> Within UAE	<b>34,995,702</b>	27,191,970
	<b>34,995,702</b>	27,191,970

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

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<i>Unquoted Mutual fund units</i> Within UAE	-	11,500
Outside UAE	<b>2,148,493</b>	2,163,378
	<b>2,148,493</b>	2,174,878

### 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 2017.

#### *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 2018 (Unaudited)

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

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

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

	<b>30 September 2018 AED (Unaudited)</b>	<b>31 December 2017 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>34,995,702</b>	27,191,970	Level 1	Quoted bid prices in an active market	N/A
	<b>30 September 2018 AED (Unaudited)</b>	<b>31 December 2017 AED (Audited)</b>	<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	<b>2,148,493</b>	2,174,878	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 September 2018 AED</b>	<b>31 December 2017 AED (Audited)</b>
Opening balance	<b>2,174,878</b>	2,101,189
Disposal during the period	<b>(26,385)</b>	(4,728)
Fair value adjustment	-	78,417
	<b>2,148,493</b>	2,174,878

#### 8 INSURANCE RECEIVABLES

	<b>30 September 2018 AED</b>	<b>31 December 2017 AED (Audited)</b>
Due from policyholders	<b>50,514,067</b>	29,364,832
Due from insurance companies	<b>4,967,280</b>	9,762,647
Due from reinsurance companies	<b>2,957,267</b>	3,371,907
Less: Allowance for doubtful debts	<b>(13,683,205)</b>	(11,689,493)
	<b>44,755,409</b>	30,809,893

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.

## United Insurance Company (P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 8 INSURANCE RECEIVABLES (continued)

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

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
At 1 January	11,689,493	19,605,648
Charge for the period / year	2,775,220	1,762,517
Allowance written back during the period / year	(1,012,478)	(1,447,096)
Written off during the period / year	230,970	(8,231,576)
At end of period / year	<u>13,683,205</u>	<u>11,689,493</u>

#### 9 STATUTORY DEPOSIT

	<i>30 September 2018 AED</i>	<i>31 December 2017 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 2017: 1.75% to 2.65%).

#### 10 BANK BALANCES AND CASH

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

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>	<i>30 September 2017 AED</i>
Current accounts and cash	22,577,933	47,525,578	6,894,555
Call accounts	11,149,982	28,373,935	190,775
Fixed deposits	39,510,588	-	83,397,000
	<u>73,238,503</u>	<u>75,899,513</u>	<u>90,482,330</u>

The entire cash and cash equivalents are within United Arab Emirates. The annual interest rate on fixed deposits is 2.25% - 3% (31 December 2017: 2.25%). The company has an overdraft limit of AED 15,000,000 and the entire amount is unutilised. Bank overdraft carries interest at base lending rate of 3.25% to 4.5% per annum (31 December 2017: 3.25% to 4.5%)

# United Insurance Company (P.S.C.)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (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 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 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>	<i>30 September 2017 AED (Unaudited)</i>
Bank balances and cash	73,238,503	75,899,513	90,482,330
Bank deposits with maturity over 3 months	(39,510,588)	-	(83,397,000)
Bank overdraft	-	-	(23,664)
	<u>33,727,915</u>	<u>75,899,513</u>	<u>7,061,666</u>

### 11 SHARE CAPITAL

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (2017: 100,000,000 shares of AED 1 each)	<u>100,000,000</u>	<u>100,000,000</u>

### 12 RESERVES

#### 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.

### 13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Claims reported unsettled	85,879,726	77,937,129
Claims incurred but not reported	12,994,829	13,041,846
Unearned Premiums	63,036,577	38,831,693
Premium Deficiency Reserve	2,310,777	1,406,140
Unallocated loss adjustment Expenses	1,472,293	1,421,026
	<u>165,694,202</u>	<u>132,637,834</u>

United Insurance Company (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Reinsurer Share of Claims reported unsettled	61,809,854	53,287,730
Reinsurer Share of Claims incurred but not reported	5,847,281	6,546,596
Reinsurer Share of Unearned Premiums	34,176,679	19,537,234
	<u>101,833,814</u>	<u>79,371,560</u>
<i>Insurance contract liabilities - net</i>		
Claims reported unsettled	24,069,872	24,649,399
Claims incurred but not reported	7,147,548	6,495,250
Unearned Premiums	28,859,898	19,294,459
Premium Deficiency Reserve	2,310,777	1,406,140
Unallocated loss adjustment expenses	1,472,293	1,421,026
	<u>63,860,388</u>	<u>53,266,274</u>

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

14 RELATED PARTY TRANSACTIONS

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

The significant balances outstanding at 30 September in respect of related parties included in the financial statements are as follows:

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	3,410,388	2,443,819
Outstanding claims	266,156	519,685

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED</i>	<i>2017 AED</i>	<i>2018 AED</i>	<i>2017 AED</i>
<i>Affiliates of major shareholders:</i>				
Gross premium	3,146,017	1,043,311	10,300,242	15,119,749
Claims Paid	(2,652,286)	(2,174,888)	(5,660,088)	(6,435,808)
Legal and Consultancy Expenses	276,000	-	828,000	-
<i>Compensation of key management personnel:</i>				
Remuneration of key management personnel	409,110	285,797	1,400,008	912,475

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

## United Insurance Company (P.S.C.)

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 15 CONTINGENCIES

##### *Contingent liabilities*

At 30 September 2018, 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 5,150,691 (31 December 2017: AED 5,530,923).

##### *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.

#### 16 SEASONALITY OF RESULTS

Dividend income amounted to AED 21,622 and AED 2,358,712 for the three month and nine month periods ended 30 September 2018, respectively, and to AED 1,600 and AED 802,691 for the three month and nine month periods ended 30 September 2017, respectively. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 September 2018 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 2018.