

Union Insurance Company P.J.S.C.

Condensed interim financial statements (Unaudited)
For the six months period ended 30 June 2022

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

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Report on review of condensed interim financial statements
To the Board of Directors of Union Insurance Company P.J.S.C.**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Union Insurance Company P.J.S.C. (the "Company") as at 30 June 2022 and the related condensed interim statement of income, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 and consequently 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The condensed interim financial statements for the six months period ended 30 June 2021 were reviewed by another auditor who expressed a qualified conclusion on 9 September 2021 and the financial statements for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on 28 March 2022.

**Grant Thornton**
Farouk Mohamed
Registration No: 86**Sharjah, 8 August 2022**

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 30 June 2022

		30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
	Notes		
ASSETS			
Property and equipment	4	69,993	70,446
Intangible assets		11,159	14,574
Right-of-use assets		8,359	637
Unit linked assets	5	328,096	368,887
Investment securities	5	83,510	47,888
Statutory deposit	6	10,000	10,000
Reinsurance contract assets	7	726,185	831,514
Insurance and other receivables	8	353,693	356,202
Bank deposits with original maturities of more than three months	9.2	217,602	205,965
Cash and cash equivalents	9.1	40,607	91,881
Total assets		1,849,204	1,997,994
EQUITY AND LIABILITIES			
Equity			
Share capital	10	330,939	330,939
Statutory reserve	11.1	16,187	16,187
Special reserve	11.2	16,187	16,187
Reinsurance reserve	11.3	6,209	4,885
Fair value reserve	11.4	163	156
Accumulated losses		(117,868)	(132,869)
Total equity		251,817	235,485
Liabilities			
Provision for employees' end of service benefit		13,973	12,873
Insurance contract liabilities	7	977,871	1,105,249
Insurance and other payables	12	276,097	275,500
Payables to policyholders of unit-linked products	13	328,096	368,887
Bank overdraft	9	1,350	-
Total liabilities		1,597,387	1,762,509
Total equity and liabilities		1,849,204	1,997,994



Abdul Mutaleb M H M Aljaede
Chief Executive Officer

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of income
For the six months period ended 30 June 2022

		Three months period ended 30 June		Six months period ended 30 June	
	Notes	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited) (Restated)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited) (Restated)
UNDERWRITING INCOME					
Gross written premiums	14	197,038	250,452	443,691	500,926
Reinsurance premiums ceded	14	(115,927)	(138,611)	(264,712)	(294,683)
Net retained premiums		81,111	111,841	178,979	206,243
Net change in unearned premiums, mathematical reserve and policyholders' reserve	14	20,392	(44,184)	39,258	(71,682)
Net earned premium		101,503	67,657	218,237	134,561
Gross commission earned		14,338	22,862	35,259	49,870
Total underwriting income		115,841	90,519	253,496	184,431
UNDERWRITING EXPENSES					
Gross claims incurred		(118,518)	(97,985)	(183,878)	(169,608)
Insurance claims recovered from reinsurers		85,717	63,903	114,668	102,288
Net claims incurred		(32,801)	(34,082)	(69,210)	(67,320)
Commission incurred		(20,613)	(22,101)	(38,845)	(45,812)
Administrative expenses		(21,678)	(22,296)	(46,151)	(44,347)
Other operational costs related to underwriting activities		(9,806)	(8,751)	(22,042)	(20,908)
Net movement in fair value of investment held for unit linked products		(25,985)	7,194	(62,288)	15,882
Total underwriting expenses		(110,883)	(80,036)	(238,536)	(162,505)
UNDERWRITING PROFIT					
Interest income		4,958	10,483	14,960	21,926
Other net investment income		1,100	1,807	2,358	3,437
Provision for impairment		(2,376)	3,399	407	1,426
Directors' remuneration	17	-	-	-	(4)
		(1,400)	-	(1,400)	(2,975)
PROFIT FOR THE PERIOD		2,282	15,689	16,325	23,810
Basic earnings per share (AED)	15	0.007	0.047	0.049	0.072

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the six months period ended 30 June 2022

	Three months period ended		Six months period ended	
	30 June		30 June	
Notes	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Profit for the period	2,282	15,689	16,325	23,810
Other comprehensive profit/(loss)				
<i>Items that will not be reclassified</i>				
<i>subsequently to</i>				
<i>profit or loss:</i>				
Net change in fair value of				
investments at fair value through				
other comprehensive income	-	308	7	(28)
Other comprehensive				
income/(loss) for the period	-	308	7	(28)
Total comprehensive income for				
the period	<u>2,282</u>	<u>15,997</u>	<u>16,332</u>	<u>23,782</u>

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of changes in equity
For the six months period ended 30 June 2022

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Reinsurance reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2022 (Audited)	330,939	16,187	16,187	4,885	156	(132,869)	235,485
Profit for the period	-	-	-	-	-	16,325	16,325
Other comprehensive income for the period	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	7	16,325	16,332
Transfer to reinsurance reserve	-	-	-	1,324	-	(1,324)	-
Balance at 30 June 2022 (Unaudited)	330,939	16,187	16,187	6,209	163	(117,868)	251,817
Balance at 1 January 2021 (Audited) (Restated)	330,939	14,865	14,865	2,266	(11,274)	(129,617)	222,044
Profit for the period	-	-	-	-	-	23,810	23,810
Other comprehensive loss for the period	-	-	-	-	(28)	-	(28)
Total comprehensive income for the period	-	-	-	-	(28)	23,810	23,782
Balance at 30 June 2021 (Unaudited) (Restated)	330,939	14,865	14,865	2,266	(11,302)	(105,807)	245,826

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Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the six months period ended 30 June 2022

		Six months period ended 30 June 2022 AED'000 (Unaudited)	Six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)
	Notes		
Cash flows from operating activities			
Profit for the period		16,325	23,810
Adjustments for:			
Depreciation and amortisation		4,158	4,005
Depreciation on right-of-use assets		1,518	1,443
Gain on disposal of investments at FVTPL		(2,518)	(569)
Unrealised gain on investments at FVTPL		3,263	(1,000)
Provision for impairment		-	4
Directors' remunerations		1,400	2,975
Interest income		(2,358)	(3,437)
Dividend income	18	(1,715)	(495)
Interest on lease liabilities		161	75
Interest on margin trading account		15	16
Impairment of work in progress	4	313	-
Provision for employees' end of service benefits		1,627	2,273
Other net investment loss		548	622
		<u>22,737</u>	<u>29,722</u>
Change in working capital			
Reinsurance contract assets		105,329	(49,116)
Insurance and other receivables		2,509	(61,295)
Insurance contract liabilities		(127,378)	76,114
Insurance and other payables		(7,665)	(3,208)
Unit linked assets		40,791	(58,291)
Unit linked liabilities		(40,791)	58,291
		<u>(4,468)</u>	<u>(7,783)</u>
Cash used in operating activities		<u>(1,400)</u>	<u>(2,975)</u>
Directors' remuneration paid		(527)	(1,493)
Employees' end of service indemnity paid			
Net cash generated used in operating activities		<u>(6,395)</u>	<u>(12,251)</u>
Cash flows from investing activities			
Purchase of property and equipment		(603)	(712)
Purchase of investments held at FVTPL (excluding unit linked assets)		(57,736)	(5,072)
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		21,376	13,816
Interest received		2,358	3,437
Dividends received		1,715	495
Movement in fixed deposit with banks with maturity greater than three months		(11,637)	(6,472)
Other net investment loss paid		(548)	(622)
Net cash (used in) / generated from investing activities		<u>(45,075)</u>	<u>4,870</u>

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Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows (continued)
For the six months period ended 30 June 2022

		Six months period ended 30 June 2022 AED'000 (Unaudited)	Six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)
	Notes		
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(1,139)	(1,186)
Interest paid on margin trading account		(15)	(16)
Net cash used in financing activities		(1,154)	(1,202)
Net decrease in cash and cash equivalents		(52,624)	(8,583)
Cash and cash equivalents at the beginning of the period		91,881	4,558
Cash and cash equivalents at the end of the period	9.1	39,257	(4,025)
Non-cash transactions:			
Right-of-use assets		9,240	-
Lease liabilities		(9,240)	-

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements

For the six months period ended 30 June 2022

1. General information

Union Insurance Company P.J.S.C. (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Government of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, as amended, concerning establishment of the Insurance Authority and Organisation of its Operations, and is registered with the Insurance Companies Register of the Central Bank of the UAE ("CBUAE") (formerly, the Insurance Authority of the UAE), under registration number 67. The Company's registered corporate office is at Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE"). The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange ("ADX").

The principal activity of the Company is the writing of insurance of all types including life assurance. The Company operates through its Head Office in Dubai and Branch Offices in Abu Dhabi, Dubai, Sharjah, Ajman, and Ras Al Khaimah.

Federal Law Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015, as amended, on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

The Federal Decree-Law No. 25 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE, which commenced its operational procedures to assume the supervisory and regulatory responsibility of the insurance sector.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

There are no new and revised IFRS that has a material impact for the Company during the period.

New and revised IFRS not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2023 together with IFRS 9 *Financial Instruments*. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. Management is in the process of performing a detailed assessment as required by the CBUAE on implementation of IFRS 17.

There are no other standards and amendments that are not yet effective and have not been adopted early by the Company.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

3. Summary of significant accounting policies

Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) no. 34, *Interim Financial Reporting* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed interim 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 denominated, and all values are rounded to nearest thousand ("AED'000) except when otherwise indicated.

These condensed interim financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The accounting policies, presentation and methods in these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021.

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 2021. In addition, results for the six months period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. The Company's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited annual financial statements of the Company as at and for the year ended 31 December 2021.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2021.

4. Property and equipment

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Operating assets (note 4.1)	66,634	67,331
Capital work in progress*	3,359	3,115
	69,993	70,446

* Capital work in progress includes additions amounting to AED 557 thousand. During the period, capital work in progress amounted to AED 313 thousand were impaired in the condensed interim statement of income.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

4. Property and equipment (continued)

4.1 Operating assets

Cost:	Freehold land AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
At 1 January 2021 (Audited) (Restated)	61,067	16,226	2,725	872	9,698	90,588
Additions	-	727	81	-	183	991
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	61,067	16,953	2,806	822	9,881	91,529
Additions	-	-	2	44	-	46
At 30 June 2022 (Unaudited)	61,067	16,953	2,808	866	9,881	91,575
Accumulated depreciation:						
At 1 January 2021 (Audited) (Restated)	-	10,711	2,546	613	8,858	22,728
Charge for the year	-	968	83	138	331	1,520
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	-	11,679	2,629	701	9,189	24,198
Charge for the period	-	505	38	68	132	743
At 30 June 2022 (Unaudited)	-	12,184	2,667	769	9,321	24,941
Net carrying amounts:						
At 31 December 2021 (Audited)	61,067	5,274	177	121	692	67,331
At 30 June 2022 (Unaudited)	61,067	4,769	141	97	560	66,634

The Board of Directors of the Company has passed a resolution to construct the Company's head-office on the freehold land. The freehold land is carried at cost.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
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5. Investment in securities and unit linked assets

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Investment at fair value through profit or loss (Note 5.1)	83,486	47,871
Investment at fair value through other comprehensive income (Note 5.2)	24	17
	<u>83,510</u>	<u>47,888</u>
Unit linked assets (Note 5.3)	<u>328,096</u>	<u>368,887</u>

5.1 Investment at fair value through profit or loss

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	64,627	19,668
Quoted equity securities outside U.A.E	588	570
Quoted bonds in U.A.E	15,886	16,450
Investment in funds outside U.A.E	-	7,364
Unquoted equity securities outside U.A.E	348	426
Unquoted equity securities in U.A.E	2,037	3,393
	<u>83,486</u>	<u>47,871</u>

Investments classified at fair value through profit or loss are designated in this category upon initial recognition.

5.2 Investment at fair value through other comprehensive income

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	<u>24</u>	<u>17</u>

Investments classified at fair value through other comprehensive income are designated in this category upon initial recognition.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

5. Investment in securities and unit linked assets (continued)

5.3 Unit linked assets

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	206,423	231,059
Financial assets from reinsurers towards policyholders of unit-linked products carried at FVTPL	106,318	124,474
Cash held on behalf of policyholders of unit linked products carried at amortised cost	15,355	13,354
	<u>328,096</u>	<u>368,887</u>

6. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007 on Establishment of Insurance Companies register of the CBUAE and Organization of its operations, the Company maintains a bank deposit of AED 10 million (31 December 2021: AED 10 million) as a statutory deposit.

7. Insurance contract liabilities and reinsurance contract assets

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	501,862	579,170
Claims incurred but not reported	123,835	100,358
Unallocated loss adjustment expense reserve	7,842	6,974
Unexpired risk reserve	11,229	8,048
Third party recoveries	3,767	3,544
Mathematical reserve	63,456	139,040
Unearned premiums	251,551	253,786
Provision for default claims and refunds	14,329	14,329
	<u>977,871</u>	<u>1,105,249</u>
Reinsurance contract assets – recoverable from reinsurers		
Claims reported unsettled	(445,119)	(506,533)
Claims incurred but not reported	(85,676)	(65,379)
Unexpired risk reserve	(3,098)	2,672
Third party recoveries	(7,717)	(8,163)
Mathematical reserve	(42,262)	(119,373)
Unearned premiums	(142,313)	(134,738)
	<u>(726,185)</u>	<u>(831,514)</u>

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Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

7. Insurance contract liabilities and reinsurance contract assets (continued)

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Net		
Claims reported unsettled	56,743	72,637
Claims incurred but not reported	38,159	34,979
Unallocated loss adjustment expense reserve	7,842	6,974
Unexpired risk reserve	8,131	10,720
Third party recoveries	(3,950)	(4,619)
Mathematical reserve	21,194	19,667
Unearned premiums	109,238	119,048
Provision for default claims and refunds	14,329	14,329
	<u>251,686</u>	<u>273,735</u>

The gross and net insurance contract liabilities of AED 937,423 thousand and AED 235,850 thousand respectively as at 30 June 2022 (31 December 2021: AED 1,068,194 thousand and AED 258,330 thousand respectively) were certified by the Company's external appointed actuary. The difference in actuarial certification and the above amounts is on account of provision for default claims and refunds, third party recoveries against outstanding claims and paid claims. The actuarial valuation methodologies used in these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021.

8. Insurance and other receivables

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Due from policyholders and brokers	268,081	280,295
Due from insurance companies	23,345	22,595
Due from reinsurance companies	25,795	23,422
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	(34,490)	(34,499)
Due from related parties (note 17)	26,906	26,508
Provision for doubtful debts – (Due from related parties) (note 17)	(26,319)	(26,310)
	<u>283,318</u>	<u>292,011</u>
Other receivables	43,792	38,946
Provision for doubtful debts	(271)	(271)
Deferred acquisition cost	20,088	19,061
Prepaid expenses	6,766	6,455
	<u>353,693</u>	<u>356,202</u>

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Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

9. Bank balances and cash

9.1 Cash and cash equivalents for statement of cashflows

	30 June 2022 AED'000 (Unaudited)	30 June 2021 AED'000 (Unaudited) (Restated)
Cash on hand	50	50
Bank balances:		
Current accounts with banks	24,351	4,520
Fixed deposits with original maturities of three months or less	16,206	-
	<u>40,607</u>	<u>4,570</u>
Less: Bank overdraft	<u>(1,350)</u>	<u>(8,595)</u>
	<u>39,257</u>	<u>(4,025)</u>
 In U.A.E.	 37,281	 (3,791)
Outside U.A.E.	<u>1,976</u>	<u>(234)</u>
	<u>39,257</u>	<u>(4,025)</u>

9.2 Bank deposits with original maturities of more than three months

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Deposits with original maturities greater than three months	<u>217,602</u>	<u>205,965</u>
 In U.A.E.	 185,008	 172,760
Outside U.A.E.	<u>32,594</u>	<u>33,205</u>
	<u>217,602</u>	<u>205,965</u>

Bank deposits carried interest rates ranging from 0.10% to 8.5% per annum (31 December 2021: 0.15% to 8.5% per annum). Bank deposits of AED 46.4 million (31 December 2021: AED 46.4 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

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Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

10. Share capital

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (2021: 330,939,180 of AED 1 each)	<u>330,939</u>	<u>330,939</u>

11 Reserves

Nature and purpose of reserves

11.1 Statutory reserve

In accordance with the UAE Commercial Companies Law and the Company's Article of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid-up share capital. The Company transfers 10% of the profits for each year to the statutory reserve. Accordingly, no transfers have been made during the six months period ended 30 June 2022. There were no transfers to statutory reserves as at 31 December 2021 because the Company incurred net losses as at 31 December 2021. The reserve is not available for distribution except in the circumstances stipulated by the law.

11.2 Special reserve

In accordance with the Company's Articles of Association, the Board of Directors may transfer 10% of annual net profits, if any, to a special reserve until an Ordinary General Meeting upon a proposal suspends it. The special reserve can be utilized for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director. No transfers were made during the six months period ended 30 June 2022 and the year ended 31 December 2021.

11.3 Reinsurance reserve

In accordance with the requirements of CBUAE's Board of Directors Decision No, 23 of 2019 Article 34 of 2019, the Company has transferred AED 1,324 thousand from accumulated losses to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the six months period ended 30 June 2022 (30 June 2021: Nil). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

11.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

12. Insurance and other payables

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Trade payables	73,139	76,039
Due to insurance and reinsurance companies	119,868	121,457
Reinsurance premium reserve held	27,692	28,906
	<u>220,699</u>	<u>226,402</u>
Other payables:		
Unclaimed dividends	1,978	1,998
Accrued expenses and other payables	45,126	47,068
Lease liabilities	8,294	32
	<u>276,097</u>	<u>275,500</u>

13. Payables to policyholders of unit-linked products

The Company issued unit linked policies which have both risk and investment components. The investment portion is invested on behalf of the policyholders as disclosed in note 5.3 of this condensed interim financial statements. Movement during the period / year are as follows:

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
As at 1 January	368,887	286,798
Purchase	53,346	108,368
Sales	(31,420)	(58,521)
Other charges	(429)	(2,436)
Change in fair value of the unit linked products	(62,288)	34,678
	<u>328,096</u>	<u>368,887</u>

14. Net earned premium

	Three months period ended 30 June		Six months period ended 30 June	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited) (Restated)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited) (Restated)
<i>Gross premiums</i>				
Gross premium written	197,038	250,452	443,691	500,926
Change in unearned premiums	25,258	(24,775)	2,235	(53,851)
Change in mathematical reserve	78,121	(15,917)	75,584	(24,751)
Unit linked investments	(29,284)	(24,427)	(56,105)	(54,913)
Net movement in reserve of unit linked products	25,985	(7,194)	62,288	(15,882)
	<u>297,118</u>	<u>178,139</u>	<u>527,693</u>	<u>351,529</u>

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

14. Net earned premium (continued)

	Three months period ended 30 June		Six months period ended 30 June	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
<i>Reinsurance premiums ceded</i>				
Reinsurance premiums ceded	(115,927)	(138,611)	(264,712)	(294,683)
Change in unearned premiums	(12,131)	4,961	7,575	31,336
Change in mathematical reserve	(79,453)	14,016	(77,111)	22,003
Unit linked investments	11,896	9,152	24,792	24,376
	(195,615)	(110,482)	(309,456)	(216,968)
Net earned premium	101,503	67,657	218,237	134,561

15. Basic earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Profit for the period (AED'000)	2,282	15,689	16,325	23,810
Weighted average number of shares outstanding during the period ('000)	330,939	330,939	330,939	330,939
Basic earnings per share (AED)	0.007	0.047	0.049	0.072

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

16. Segment information

For management purposes the Company is organized into two operating segments, general insurance, and life assurance. These segments are the basis on which the Company reports its primary segment information.

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)
ASSETS						
Property and equipment	52,495	52,835	17,498	17,611	69,993	70,446
Intangible assets	4,070	5,198	7,089	9,376	11,159	14,574
Right-of-use assets	6,269	478	2,090	159	8,359	637
Unit linked assets	-	-	328,096	368,887	328,096	368,887
Investment securities	69,282	35,066	14,228	12,822	83,510	47,888
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	594,414	629,558	131,771	201,956	726,185	831,514
Insurance and other receivables	271,564	277,410	82,129	78,792	353,693	356,202
Bank deposits with original maturities of more than three months	124,471	113,086	93,131	92,879	217,602	205,965
Cash and cash equivalents	30,455	68,911	10,152	22,970	40,607	91,881
Total assets	1,159,020	1,188,542	690,184	809,452	1,849,204	1,997,994
LIABILITIES						
Provision for employees' end of service benefit	10,480	9,655	3,493	3,218	13,973	12,873
Insurance contract liabilities	798,094	858,287	179,777	246,962	977,871	1,105,249
Insurance and other payables	234,098	218,479	41,999	57,021	276,097	275,500
Payables to policyholders of unit-linked products	-	-	328,096	368,887	328,096	368,887
Bank overdraft	1,350	-	-	-	1,350	-
Total liabilities	1,044,022	1,086,421	553,365	676,088	1,597,387	1,762,509

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
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16. Segment information (continued)

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>
	Six months period ended 30 June 2022 AED'000 (Unaudited)	Six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)	Six months period ended 30 June 2022 AED'000 (Unaudited)	Six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)	Six months period ended 30 June 2022 AED'000 (Unaudited)
UNDERWRITING INCOME					
Gross written premiums	308,067	373,839	135,624	127,087	443,691
Reinsurance premiums ceded	(192,758)	(226,773)	(71,954)	(67,910)	(264,712)
Net retained premiums	115,309	147,066	63,670	59,177	178,979
Net change in unearned premium, mathematical reserve and policyholders' reserve	10,845	(22,137)	28,413	(49,545)	39,258
Net earned premium	126,154	124,929	92,083	9,632	218,237
Gross commission earned	34,785	43,489	474	6,381	35,259
Total underwriting income	160,939	168,418	92,557	16,013	253,496
UNDERWRITING EXPENSES					
Net claims incurred	(62,799)	(59,326)	(6,411)	(7,994)	(69,210)
Commission incurred	(27,871)	(33,029)	(10,974)	(12,783)	(38,845)
Administrative expenses	(31,621)	(29,448)	(14,530)	(14,899)	(46,151)
Other operational costs related to underwriting activities	(15,405)	(16,497)	(6,637)	(4,411)	(22,042)
Net movement in fair value of investment held for unit linked products	-	-	(62,288)	15,882	(62,288)
Total underwriting expenses	(137,696)	(138,300)	(100,840)	(24,205)	(238,536)
Total underwriting profit/(loss)	23,243	30,118	(8,283)	(8,192)	14,960
Net investment gain					2,765
Provision for impairment					-
Directors' remuneration					(1,400)
Profit for the period					16,325

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

17. Related party balances and transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party. Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from/to related parties which are included in the respective account balances are detailed below:

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
<i>Balances with former major shareholder</i>		
Premium receivable	26,906	26,508
Allowance for doubtful receivables	(26,319)	(26,310)
Net premium receivables	<u>587</u>	<u>198</u>
Gross outstanding claims	<u>438</u>	<u>444</u>
Investment properties reclassified to "Advance paid for purchase of real estate properties"	72,270	72,270
Reversal of net fair value gains recorded in prior years	(35,770)	(35,770)
Advance paid for purchase of real estate properties *	36,500	36,500
Provision on advance paid for purchase of real estate properties	(36,500)	(36,500)
	<u>-</u>	<u>-</u>

The amounts outstanding are unsecured, interest free and repayable on demand. No guarantees have been given to the related parties.

*The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financial statements for the year ended 31 December 2020. The said asset represents purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential unit in a single building and a plot of land of 150,000 square feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction received from the former Chairman who was also the representative of the related party.

The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said assets. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of Directors of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

17. Related party balances and transactions (continued)

During the period, the Company entered into the following transactions with related parties:

	Three months period ended 30 June		Six months period ended 30 June	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Transactions with former major shareholder				
Premiums written	32	150	908	1,077
Claims paid	129	159	266	576
Compensation of key management personnel				
Short-term benefits	600	600	1,200	1,200
Long-term benefits	50	50	100	100
Directors' remuneration*	1,400	-	1,400	2,975

*The Board of Director's fees amounted to AED 2,975 million represents fees paid to the previous Board of Directors on which AED 1.2 million has already recovered subsequently and a recovery legal action has been initiated for the remaining balance, based on Shareholders' resolution on 30 September 2021.

The Assembly General meeting held on 27 April 2022 approved and paid the remuneration for Board of Directors of AED 1,400 thousand for 2021.

18. Seasonality of results

Dividend income amounted to AED 1,715 thousand and AED 495 thousand for the six months periods ended 30 June 2022 and 30 June 2021, respectively. Dividend income depends on market conditions, investment activities of the Company and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the six months period ended 30 June 2022 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 2022.

19. Commitments and contingent liabilities

	30 June 2022	31 December 2021
	AED'000	AED'000
	(Unaudited)	(Audited)
Letters of guarantee*	13,005	15,790

*Includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CBUAE (Note 6).

The Company, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the Company considers that the outcome of the outstanding court cases will not have a material impact on the Company's condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

20. Fair value measurement

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

20. Fair value measurement (continued)

Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis

Some of the Company's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined:

	Fair value as at						
	30 June 2022	31 December 2021					
	(Unaudited) AED'000	(Audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value	
Financial assets							
Financial assets measured at FVTPL							
Quoted equity securities	65,215	20,238	Level 1	Quoted bid prices in an active market	None	Not applicable	
Quoted bonds	15,886	16,450	Level 1	Prices as per the portfolio bank statement	None	Not applicable	
Unquoted equity securities							
Investment in funds	2,385	3,819	Level 3	Based on net assets value of underlying investments and last traded price	Yes	Increase in net asset value increases fair value	
Investments held on behalf of policyholders' unit linked products at FVTPL	-	7,364	Level 2	Quoted prices in secondary market	None	Not applicable	
Due from reinsurers towards policyholders of unit linked products	206,423	231,059	Level 2	Quoted prices in secondary market	None	Not applicable	
	106,318	124,474	Level 2	Quoted prices in secondary market	None	Not applicable	
Financial assets measured at FVTOCI							
Quoted equity securities	24	17	Level 1	Quoted bid prices in an active market	None	Not applicable	
Financial liabilities measured at FVTPL							
Unit linked liabilities	312,741	355,533	Level 2	Quoted prices in secondary market	None	Not applicable	

There were no transfers between levels during the period. There are no other financial liabilities apart from the liabilities disclosed above which should be categorised under any levels in the above table.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

21. Comparative information

Certain comparative figures have been reclassified in order to conform to current year's presentation. However, there is no effect on previously reported total equity, profit for the year and the net change in cash and cash equivalents.

A- Restatement details in the condensed interim statement of income are below.

	As previously reported for the period ended 30 June 2021 AED'000 (Unaudited)	Restatement AED'000	Restated for the six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)
Gross written premiums	500,926	-	500,926
Reinsurance premiums ceded	(270,307)	(24,376)	(294,683)
Net retained premiums	230,619	(24,376)	206,243
Net change in unearned premiums, mathematical reserve and policyholders' reserve	(84,135)	12,453	(71,682)
Net earned premium	146,484	(11,923)	134,561
Gross commission earned	49,870	-	49,870
Total underwriting income	196,354	(11,923)	184,431
Gross claims incurred	(171,238)	1,630	(169,608)
Insurance claims recovered from reinsurers	103,918	(1,630)	102,288
Net claims incurred	(67,320)	-	(67,320)
Commission incurred	(43,666)	(2,146)	(45,812)
Administrative expenses	(40,822)	(3,525)	(44,347)
Other operational costs related to underwriting activities	(25,054)	4,146	(20,908)
Net movement in fair value of investment held for unit linked products	3,959	11,923	15,882
Total underwriting expenses	(172,903)	10,398	(162,505)
UNDERWRITING PROFIT	23,451	(1,525)	21,926
Interest income	3,437	-	3,437
Other net investment (loss)/gain	(70,844)	72,270	1,426
Provision for impairment	(4)	-	(4)
Directors' remuneration	(4,500)	1,525	(2,975)
LOSS FOR THE PERIOD	(48,460)	72,270	23,810

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

21. Comparative information (continued)

B- Restatement details in the condensed interim statement of cashflows are below:

	As previously reported for the period ended 30 June 2021 AED'000 (Unaudited)	Restatement AED'000	Restated for the six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)
Cash flows from operating activities			
Loss for the period	(48,460)	72,270	23,810
Adjustments for:			
Depreciation and amortisation	3,448	557	4,005
Depreciation on right-of-use assets		1443	1,443
Gain on disposal of investments at FVTPL	(569)	-	(569)
Unrealised (gain)/loss on investments at FVTPL	(1,000)	-	(1,000)
Provision for impairment	72,270	(72,266)	4
Directors' remunerations	-	2,975	2,975
Net movement in fair value of investments held for unit linked products	(3,959)	3,959	-
Interest income	(3,437)	-	(3,437)
Dividend income	(495)	-	(495)
Interest on lease liabilities	-	75	75
Interest on margin trading account	16	-	16
Provision for employees' end of service benefits	2,273	-	2,273
Other net investment loss	-	622	622
	20,087	9,635	29,722
Change in working capital			
Reinsurance contract assets	(50,746)	1,630	(49,116)
Insurance and other receivables	(60,366)	(929)	(61,295)
Insurance contract liabilities	77,744	(1,630)	76,114
Insurance and other payables	54,554	(57,762)	(3,208)
Unit linked assets	-	(58,291)	(58,291)
Unit linked liabilities	-	58,291	58,291
Cash used in operating activities	41,273	(49,056)	(7,783)
Directors' remuneration paid	-	(2,975)	(2,975)
Employees' end of service indemnity paid	(1,493)	-	(1,493)
Net cash generated from/(used in) operating activities	39,780	(52,031)	(12,251)
Cash flows from investing activities			
Purchase of property and equipment	(712)	-	(712)
Purchase of investments held at FVTPL (excluding unit linked assets)	(5,071)	(1)	(5,072)
Purchase of policy holders' of unit linked products	(54,914)	54,914	-
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)	13,816	-	13,816
Interest received	3,437	-	3,437
Dividend received	495	-	495
Movement in fixed deposit with banks with maturity greater than three months	6,098	(12,570)	(6,472)
Other net investment loss paid	-	(622)	(622)
Net cash (used in)/generated from investing activities	(36,851)	41,721	4,870

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Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the six months period ended 30 June 2022

21. Comparative information (continued)

B- Restatement details in the condensed interim statement of cashflows (continued)

	As previously reported for the period ended 30 June 2021 AED'000 (Unaudited)	Restatement AED'000	Restated for the six months period ended 30 June 2021 AED'000 (Unaudited) (Restated)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	-	(1,186)	(1,186)
Interest paid on margin trading account	(16)	-	(16)
Net cash used in financing activities	(16)	(1,186)	(1,202)
Net increase in cash and cash equivalents	2,913	(11,496)	(8,583)
Cash and cash equivalents at the beginning of the period	48,244	(43,686)	4,558
Cash and cash equivalents at the end of the period	51,157	(55,182)	(4,025)

C- Restatement details in the condensed interim changes in equity

	As previously reported as at 1 January 2021 AED'000 (Audited)	Restatement AED'000	Restated as at 1 January 2021 AED'000 (Unaudited) (Restated)
Equity			
Accumulated losses*	(34,513)	(95,104)*	(129,617)
Total equity	317,148	(95,104)*	222,044

*The restatement on opening balances for accumulated losses as at 1 January 2021 was related to:

1 - Recognition of full impairment to advances paid for purchase of real estate properties consisting of 60 residential units in a single building and a plot of land with integrated infrastructure. However, since the seller of the asset did not perform related obligation, the possession of the properties never occurred to the Company. Accordingly, the balance was fully impaired as an advance, that was classified as investment properties amounted to AED 72,270 thousand.

2 - Recognition of full impairment to free hold land obtained through exchange transaction of occurred on 15 July 2018. The initial exchanged asset was amounting to AED 82,045 thousand, and the received asset was amounting to AED 59,211 thousand with a net impact, a reduction to property and equipment amounted to AED 22,834 thousand.

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Notes to the condensed interim financial statements (continued)
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22. Significant event during the period

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the condensed interim financial statements of the Company for the six months period ended 30 June 2022. Management will commence the process of assessing the implications of this federal corporate tax on the Company.

23. Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorised for issue on 8 August 2022.