

Union Insurance Company P.J.S.C.

Condensed interim financial information
for the nine month period ended 30 September 2017

Union Insurance Company P.J.S.C.

Condensed interim financial information

for the nine month period ended 30 September 2017

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Independent auditors' report on review of condensed interim financial information

To the Shareholders of Union Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying 30 September 2017 condensed interim financial information of Union Insurance Company P.J.S.C. ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2017;
- the condensed interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2017;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2017;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2017;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2017; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information 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 condensed 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 30 September 2017 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: **13 NOV 2017**

Union Insurance Company P.J.S.C.
Condensed interim statement of financial position
as at

| | | (Un-audited) 30 September 2017 AED '000 | (Audited) 31 December 2016 AED '000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Property and equipment | | 22,068 | 24,113 |
| Intangible assets | | 4,122 | 2,790 |
| Investment properties | | 82,390 | 82,390 |
| Investment securities | 8 | 285,476 | 329,406 |
| Development work-in-progress | 7 | 78,120 | 78,120 |
| Statutory deposit | | 10,000 | 10,000 |
| Reinsurance contract assets | 11 | 545,634 | 380,713 |
| Insurance and other receivables | | 682,607 | 484,701 |
| Cash and bank balances | 12 | 129,738 | 79,937 |
| Total assets | | 1,840,155 | 1,472,170 |
| LIABILITIES | | | |
| Insurance contract liabilities | 11 | 894,552 | 673,593 |
| Insurance and other payables | 10 | 513,034 | 399,585 |
| Payable to policyholders' of unit-linked products | 19 | 122,630 | 97,095 |
| Provision for employees' end of service benefits | | 4,239 | 3,417 |
| Total liabilities | | 1,534,455 | 1,173,690 |
| EQUITY | | | |
| Share capital | | 330,939 | 330,939 |
| Statutory reserve | | 11,076 | 11,076 |
| Special reserve | | 11,076 | 11,076 |
| Fair value reserve | | (8,129) | (23,342) |
| Accumulated losses | | (39,262) | (31,269) |
| Total equity | | 305,700 | 298,480 |
| Total liabilities and equity | | 1,840,155 | 1,472,170 |

The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on **13 NOV 2017** and signed on its behalf by:


 Mohammed Hareb Al Mazroei
 Chairman


 Abdul Mutaleb M H M Aljaede
 Managing Director and Chief
 Executive Officer

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.
 The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.
Condensed interim statement of profit or loss
for the period ended 30 September

| | | (Un-audited) | (Un-audited) | (Un-audited) | (Un-audited) |
|--|----------------------|--|--|---------------------------------------|---------------------------------------|
| | | For the three month period ended | For the three month period ended | For the nine month period ended | For the nine month period ended |
| Notes | 30 September 2017 | 30 September 2016 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| | AED '000 | AED '000 | (Restated) * | AED '000 | AED '000 (Restated) * |
| Gross written premium | | 273,774 | 216,420 | 802,187 | 658,880 |
| Reinsurance ceded | | (149,008) | (96,986) | (393,597) | (292,628) |
| Net retained premium | | 124,766 | 119,434 | 408,590 | 366,252 |
| Net change in unearned premium and policyholders' reserve | | (457) | (22,546) | (61,167) | (86,655) |
| Net earned premium | | 124,309 | 96,888 | 347,423 | 279,597 |
| Gross claims incurred | 11.1 | (141,234) | (111,348) | (388,721) | (409,458) |
| Insurance claims recovered from reinsurers | 11.1 | 75,348 | 52,501 | 190,510 | 241,892 |
| Net claims incurred | | (65,886) | (58,847) | (198,211) | (167,566) |
| Gross commission earned | | 16,361 | 19,590 | 48,697 | 53,085 |
| Less: commission incurred | | (19,639) | (20,623) | (61,851) | (52,012) |
| Net commission (incurred) / earned | | (3,278) | (1,033) | (13,154) | 1,073 |
| Administrative expenses | 18 | (25,184) | (16,910) | (63,044) | (52,417) |
| Other operational costs related to underwriting activities | | (20,871) | (12,479) | (48,147) | (32,924) |
| Net movement in fair value of investments held for unit linked products | 19 | 364 | (685) | 2,421 | (1,660) |
| Total underwriting expenses | | (48,969) | (31,107) | (121,924) | (85,928) |
| Underwriting profit | | 9,454 | 6,934 | 27,288 | 26,103 |
| Net investment income / (loss) | 17 | 431 | (9,330) | (9,396) | (28,882) |
| General and other expenses | 18 | (3,848) | (3,388) | (11,573) | (10,090) |
| Profit / (loss) for the period | | 6,037 | (5,784) | 6,319 | (12,869) |
| Basic and diluted earnings / (loss) per share | | 0.0182 | (0.0175) | 0.0191 | (0.0389) |

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

* See note 21

Union Insurance Company P.J.S.C.

Condensed interim statement of profit or loss and other comprehensive income

for the period ended 30 September

| | (Un-audited) For the three month period ended 30 September 2017 AED '000 | (Un-audited) For the three month period ended 30 September 2016 AED '000 (Restated) * | (Un-audited) For the nine month period ended 30 September 2017 AED '000 | (Un-audited) For the nine month period ended 30 September 2016 AED '000 (Restated) * |
|--|--|--|---|---|
| Profit / (loss) for the period | 6,037 | (5,784) | 6,319 | (12,869) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified to profit or loss :</i> | | | | |
| Net change in fair value of investments at fair value through other comprehensive income | 1,419 | 1,612 | 901 | (14,300) |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | - | - | - | - |
| Total other comprehensive income / (loss) for the period | 1,419 | 1,612 | 901 | (14,300) |
| Total comprehensive income / (loss) for the period | 7,456 | (4,172) | 7,220 | (27,169) |

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

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* See note 21

Union Insurance Company P.J.S.C.

Condensed interim statement of changes in equity (Un-audited)

for the period ended 30 September

| | Attributable to equity shareholders of the Company | | | | | | Total |
|---|--|----------------------------------|--------------------------------|-----------------------------------|-------------------------------------|----------------|-------|
| | Share capital AED '000 | Statutory reserve AED '000 | Special reserve AED '000 | Fair value reserve AED '000 | (Accumulated losses) AED '000 | AED '000 | |
| As at 1 January 2016 (restated)* | 330,939 | 11,076 | 11,076 | (7,614) | (20,839) | 324,638 | |
| Total comprehensive income for the period | - | - | - | - | (12,869) | (12,869) | |
| Loss for the period (restated)* | - | - | - | - | (12,869) | (12,869) | |
| Other comprehensive income for the period | - | - | - | (14,300) | - | (14,300) | |
| Net change in fair value of investments at FVTOCI | - | - | - | (14,300) | - | (14,300) | |
| Total other comprehensive loss for the period | - | - | - | (14,300) | (12,869) | (27,169) | |
| Total comprehensive loss for the period | - | - | - | (14,300) | (12,869) | (27,169) | |
| As at 30 September 2016 (restated)* | 330,939 | 11,076 | 11,076 | (21,914) | (33,708) | 297,469 | |
| As at 1 January 2017 | 330,939 | 11,076 | 11,076 | (23,342) | (31,269) | 298,480 | |
| Total comprehensive income for the period | - | - | - | - | 6,319 | 6,319 | |
| Profit for the period | - | - | - | - | 6,319 | 6,319 | |
| Other comprehensive income for the period | - | - | - | 901 | - | 901 | |
| Net change in fair value of investments at FVTOCI | - | - | - | 901 | - | 901 | |
| Net change in fair value of investments at FVTOCI on disposal | - | - | - | 14,312 | (14,312) | - | |
| Total other comprehensive income / (loss) for the period | - | - | - | 15,213 | (14,312) | 901 | |
| Total comprehensive income / (loss) for the period | - | - | - | 15,213 | (7,993) | 7,220 | |
| As at 30 September 2017 | 330,939 | 11,076 | 11,076 | (8,129) | (39,262) | 305,700 | |

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

* See note 21

Union Insurance Company P.J.S.C.
Condensed interim statement of cash flows
for the period ended 30 September

| | | (Un-audited) For the nine month period ended 30 September 2017 AED '000 | (Un-audited) For the nine month period ended 30 September 2016 AED '000 |
|---|----|---|---|
| Cash flows from operating activities | | | |
| Profit / (loss) for the period | | 6,319 | (12,869) |
| <i>Adjustment for:</i> | | | |
| Depreciation and amortisation | 18 | 2,559 | 2,550 |
| Gain on disposal of investments at FVTPL | 17 | (2,715) | (39) |
| Unrealised loss on investments at FVTPL | 17 | 9,363 | 24,362 |
| Interest income | 17 | (1,056) | (1,203) |
| Dividend income | 17 | (204) | (32) |
| Gain on sale of property and equipment | | - | (25) |
| Interest on margin trading account | 17 | 3,169 | 4,991 |
| Provision for employees' end of service benefits | | 822 | 346 |
| | | <u>18,257</u> | <u>18,081</u> |
| Increase in insurance and other receivables | | (197,906) | (149,837) |
| Increase in reinsurance contract assets | | (164,921) | (134,936) |
| Increase in insurance contract liabilities | | 220,959 | 209,745 |
| Increase in insurance and other payables | | 113,449 | 124,235 |
| <i>Net cash generated from operating activities</i> | | <u>(10,162)</u> | <u>67,288</u> |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (1,846) | (1,222) |
| Proceeds from sale of property and equipment | | - | 50 |
| Purchase of investments at FVTPL | | (35,924) | (40,767) |
| Proceeds from disposal of investments at FVTPL | | 52,234 | 7,459 |
| Proceeds from disposal of investments at FVTOCI | | 47,408 | - |
| Interest received | | 1,056 | 1,203 |
| Dividend received | | 204 | 32 |
| (Increase) / decrease in fixed deposit with banks with maturity greater than three months | | (2,695) | 37,099 |
| <i>Net cash used in investing activities</i> | | <u>60,437</u> | <u>3,854</u> |
| Cash flows from financing activities | | | |
| Interest on margin trading account | | (3,169) | (4,991) |
| <i>Net cash used in financing activities</i> | | <u>(3,169)</u> | <u>(4,991)</u> |
| Net increase in cash and cash equivalents | | 47,106 | 66,151 |
| Cash and cash equivalents at 1 January | 13 | <u>22,856</u> | <u>23,396</u> |
| Cash and cash equivalents at 30 September | 13 | <u>69,962</u> | <u>89,547</u> |

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

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Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information

1. Legal status and principal activities

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 Ajman Municipality. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 67. The Company's registered corporate office is Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE").

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.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the applicable provisions of UAE Federal Law No. 2 of 2015. They do not include all of the information required for full annual audited financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company has complied with the applicable provisions of UAE Federal Law No. 2 of 2015 as at 30 June 2017. Accordingly, the legal name of the Company has been changed from "Union Insurance Company P.S.C." to "Union Insurance Company P.J.S.C.".

Under Federal Law No. 6 of 2007, relating to Establishment of Insurance Authority and Regulation of Insurance Operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the Insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

b) Basis of measurement

The condensed interim financial information have been prepared on the historical cost basis except for the following which are measured at fair value :

- i) financial instruments at fair value through profit or loss ("FVTPL");
- ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
- iii) investment properties.

The accounting policies, presentation and methods in these condensed interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2016.

c) Functional and presentation currency

These condensed interim financial information are presented in U.A.E. Dirhams ("AED") rounded to nearest thousand, since that is the currency in which the majority of the Company's transactions are denominated.

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

2. Basis of preparation (continued)

d) Use of estimates and judgments

The preparation of condensed interim financial information in conformity with IFRS requires management to make judgments, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended 31 December 2016.

3. Summary of significant accounting policies

The accounting policies applied by the Company in the preparation of these condensed interim financial information are consistent with those applied by the Company in its annual audited financial statements as at and for the year ended 31 December 2016 except for the adoption of new IFRS which became effective as of 1 January 2017.

The adoption of the new and amended standards and interpretations have been reflected in these condensed interim financial information as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Company during the period.

4. Financial risk management

Aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2016.

5. Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed interim financial information were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period.

6. Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities.

At 30 September 2017 (Un-audited)

| <u>Financial assets</u> | <u>FVTPL</u> AED '000 | <u>FVTOCI</u> AED '000 | <u>Amortised</u> <u>Cost</u> AED '000 | <u>Total</u> AED '000 |
|---|--------------------------|---------------------------|---|--------------------------|
| Investment securities | 275,458 | 10,018 | - | 285,476 |
| Insurance and other receivables | - | - | 627,593 | 627,593 |
| Statutory deposit | - | - | 10,000 | 10,000 |
| Cash and bank balances | - | - | 129,738 | 129,738 |
| | <u>275,458</u> | <u>10,018</u> | <u>767,331</u> | <u>1,052,807</u> |
| <u>Financial liabilities</u> | | | | |
| Insurance and other payables | - | - | 513,034 | 513,034 |
| Payable to policyholders' of unit-linked products | 122,630 | - | - | 122,630 |
| | <u>122,630</u> | <u>-</u> | <u>513,034</u> | <u>635,664</u> |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

6. Classes and categories of financial assets and financial liabilities (continued)

At 31 December 2016 (Audited)

| <u>Financial assets</u> | FVTPL | FVTOCI | Amortised Cost | Total |
|---|----------------|---------------|----------------|----------------|
| | AED '000 | AED '000 | AED '000 | AED '000 |
| Investment securities | 272,882 | 56,524 | - | 329,406 |
| Insurance and other receivables | - | - | 446,600 | 446,600 |
| Statutory deposit | - | - | 10,000 | 10,000 |
| Cash and bank balances | - | - | 79,937 | 79,937 |
| | <u>272,882</u> | <u>56,524</u> | <u>536,537</u> | <u>865,943</u> |
| <u>Financial liabilities</u> | | | | |
| Insurance and other payables | - | - | 399,585 | 399,585 |
| Payable to policyholders' of unit-linked products | 97,095 | - | - | 97,095 |
| | <u>97,095</u> | <u>-</u> | <u>399,585</u> | <u>496,680</u> |

7. Development work-in-progress

Development work-in-progress represents payments made for acquiring 10% investment in the Meydan Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.J.S.C.), a related party who is acting as custodian of the Company's share of investment in the project.

The title deed of the project has been registered in the name of GGICO Real Estate Development L.L.C., a related party.

8. Investment securities

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|---|--|--|
| Financial assets at fair value through profit or loss | 275,458 | 272,882 |
| Financial assets at fair value through other comprehensive income | 10,018 | 56,524 |
| | <u>285,476</u> | <u>329,406</u> |

8.1 Investments at fair value through profit or loss

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|---|--|--|
| Investments held on behalf of policyholders' unit linked products in U.A.E. (Note 19) | 122,630 | 97,095 |
| Quoted equity securities in U.A.E. | 88,185 | 146,832 |
| Quoted equity securities outside U.A.E. | 367 | 333 |
| Unquoted equity securities outside U.A.E. | 2,963 | 2,934 |
| Quoted bond securities outside U.A.E. | 61,313 | 25,688 |
| | <u>275,458</u> | <u>272,882</u> |

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

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

8. Investment securities (continued)

8.2 Investments at fair value through other comprehensive income

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|------------------------------------|--|--|
| <i>Equity securities</i> | | |
| Quoted equity securities in U.A.E. | 9,718 | 56,224 |
| Unquoted securities in U.A.E. | 300 | 300 |
| | <u>10,018</u> | <u>56,524</u> |

8.3 Financial assets - geographic concentration

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|------------------|--|--|
| - Within U.A.E. | 220,833 | 300,451 |
| - Outside U.A.E. | 64,643 | 28,955 |
| | <u>285,476</u> | <u>329,406</u> |

9. Fair value hierarchy

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised :

| At 30 September 2017 (Un-audited) | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 | Total AED '000 |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|
| Financial assets | | | | |
| FVTPL - financial assets | 272,495 | - | 2,963 | 275,458 |
| FVTOCI - financial assets | 9,718 | - | 300 | 10,018 |
| | <u>282,213</u> | <u>-</u> | <u>3,263</u> | <u>285,476</u> |
| At 31 December 2016 (Audited) | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 | Total AED '000 |
| Financial assets | | | | |
| FVTPL - financial assets | 269,948 | - | 2,934 | 272,882 |
| FVTOCI - financial assets | 56,224 | - | 300 | 56,524 |
| | <u>326,172</u> | <u>-</u> | <u>3,234</u> | <u>329,406</u> |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

10. Insurance and other payables

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|--|--|--|
| Trade payables | 158,481 | 155,636 |
| Due to insurance and reinsurance companies | 234,712 | 133,219 |
| Premium reserve withheld | 37,289 | 34,406 |
| | 430,482 | 323,261 |
| Other payables: | | |
| Unclaimed dividends | 2,069 | 2,083 |
| Accrued expenses and others | 64,715 | 50,633 |
| Bank overdraft | 15,768 | 23,608 |
| | 513,034 | 399,585 |

11. Insurance contract liabilities and reinsurance contract assets

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|---|--|--|
| Gross insurance contract liabilities | | |
| Claims reported unsettled | 364,542 | 290,235 |
| Claims incurred but not reported | 116,176 | 88,082 |
| Unearned premiums | 413,834 | 295,276 |
| | 894,552 | 673,593 |
| Reinsurer's contract assets | | |
| Claims reported unsettled | (291,717) | (226,245) |
| Claims incurred but not reported | (56,328) | (39,806) |
| Unearned premiums | (197,589) | (114,662) |
| | (545,634) | (380,713) |
| Net | | |
| Claims reported unsettled | 72,825 | 63,990 |
| Claims incurred but not reported | 59,848 | 48,276 |
| Unearned premiums | 216,245 | 180,614 |
| | 348,918 | 292,880 |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

11.1 Insurance contract liabilities and reinsurance contract assets

Movements in the insurance contract liabilities and reinsurance contract assets during the period were as follows:

| | Period ended 30 September 2017 (un-audited) | | Period ended 30 September 2016 (un-audited) | |
|--|---|-------------------------|---|-----------------|
| | Gross AED '000 | Reinsurance AED '000 | Net AED '000 | Net AED '000 |
| Claims | | | | |
| <i>Outstanding claims at end of period</i> | | | | |
| Notified claims | 364,542 | (291,717) | 72,825 | 53,227 |
| Incurred but not reported | 116,176 | (56,328) | 59,848 | 45,660 |
| | 480,718 | (348,045) | 132,673 | 98,887 |
| Claims settled in the period | 291,967 | (108,516) | 183,451 | 158,645 |
| <i>Outstanding claims at beginning of period</i> | | | | |
| Notified claims | (290,235) | 226,245 | (63,990) | (45,416) |
| Incurred but not reported | (88,082) | 39,806 | (48,276) | (28,233) |
| | 394,368 | (190,510) | 203,858 | 183,883 |
| Increase in recoveries | (5,647) | - | (5,647) | (16,317) |
| Claims incurred | 388,721 | (190,510) | 198,211 | 167,566 |
| | 413,834 | (197,589) | 216,245 | 125,698 |
| Unearned premium | | | | |
| Total at the end of the period | 413,834 | (197,589) | 216,245 | 125,698 |
| Release during the period | 295,276 | (114,662) | 180,614 | 121,799 |
| Increase during the period | (413,834) | 197,589 | (216,245) | (125,698) |
| Net movement during the period | (118,558) | 82,927 | (35,631) | (3,899) |
| Total at the beginning of the period | 295,276 | (114,662) | 180,614 | 121,799 |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

12. Bank balances and cash

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|--------------------------------|--|--|
| Cash in hand | 83 | 83 |
| Bank balances: | | |
| Current accounts | 69,879 | 10,606 |
| Fixed deposits | 59,776 | 69,248 |
| | <u>129,655</u> | <u>79,854</u> |
| | <u>129,738</u> | <u>79,937</u> |
| Bank balances: | | |
| In U.A.E. | 125,715 | 75,945 |
| Outside UAE & G.C.C. countries | 3,940 | 3,909 |
| | <u>129,655</u> | <u>79,854</u> |

Fixed deposits carried interest ranging from 1% to 8% per annum (2016: 1% to 6% per annum). Fixed deposits of AED 62 million (2016: AED 62 million) have been pledged as security against the overdraft facility.

13. Cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|--|--|--|
| Bank balances and cash (refer note 12) | 129,738 | 79,937 |
| Fixed deposits with maturity greater than three months | (59,776) | (57,081) |
| | <u>69,962</u> | <u>22,856</u> |

14. Related party 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 as defined by International Accounting Standard 24 - (Revised).

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 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
|--|--|--|
| Premium receivable (included in due from policyholders) | 25,161 | 24,726 |
| Gross outstanding claims (included in claims reported unsettled) | 470 | 893 |
| Investment properties | 82,390 | 82,390 |
| Development work-in-progress | 78,120 | 78,120 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given and no expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

14. Related party transactions (continued)

Transactions

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

| | For the nine month period ended 30 September | |
|------------------|---|--------------|
| | 2017 | 2016 |
| | (Un-audited) | (Un-audited) |
| | AED '000 | AED '000 |
| Premiums written | 2,964 | 7,505 |
| Claims paid | 2,041 | 5,131 |

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

Compensation of key management personnel

| | | |
|---------------------|-------|-------|
| Short-term benefits | 1,800 | 1,800 |
| Long-term benefits | 105 | 104 |

15. Contingent liabilities

| | 30 September | 31 December |
|-----------------------|--------------|-------------|
| | 2017 | 2016 |
| | (Un-audited) | (Audited) |
| | AED '000 | AED '000 |
| Letters of guarantee* | 37,681 | 34,080 |

*Includes AED 10,000,000 (2016: AED 10,000,000) issued in favour of Insurance Authority of U.A.E.

16. Capital commitments

| | 30 September | 31 December |
|---|--------------|-------------|
| | 2017 | 2016 |
| | (Un-audited) | (Audited) |
| | AED '000 | AED '000 |
| Commitment for the construction of development properties | 54,979 | 54,979 |

The above commitment for the construction of development properties pertains to Meydan Real Estate Project and Dubai Silicon Oasis Project.

17. Net investment loss

| | For the nine month period ended 30 September | |
|--|---|--------------|
| | 2017 | 2016 |
| | (Un-audited) | (Un-audited) |
| | AED '000 | AED '000 |
| Interest income | 1,056 | 1,203 |
| Dividend income | 204 | 32 |
| Realised gains on investments | 2,715 | 39 |
| Unrealised losses on investments at fair value through profit or loss | (9,363) | (24,362) |
| Interest on margin trading account | (3,169) | (4,991) |
| Others | (839) | (803) |
| | (9,396) | (28,882) |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

18. General and administrative expenses

| | For the nine month period ended 30 September | |
|---|---|---------------|
| | 2017 | 2016 |
| | (Un-audited) | (Un-audited) |
| | AED '000 | AED '000 |
| General and administrative expenses for underwriting operations | 63,044 | 52,417 |
| Other expenses - for investments and centralised operations | 11,573 | 10,090 |
| | <u>74,617</u> | <u>62,507</u> |

The above general and administrative expenses include the following costs:

| | 2017 | | 2016 | |
|-------------------------------|---------------|---------------|--------------|--------------|
| | (Un-audited) | (Un-audited) | (Un-audited) | (Un-audited) |
| | AED '000 | AED '000 | AED '000 | AED '000 |
| Staff costs | 49,257 | 43,776 | | |
| Rent | 4,976 | 4,323 | | |
| Depreciation and amortisation | 2,559 | 2,550 | | |
| Other | 17,825 | 11,858 | | |
| | <u>74,617</u> | <u>62,507</u> | | |

19. Payable 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 8.1 of these condensed interim financial information.

Movement during the period / year:

| | 30 September | | 31 December | |
|---|----------------|---------------|-------------|-----------|
| | 2017 | 2016 | 2016 | 2016 |
| | (Un-audited) | (Un-audited) | (Audited) | (Audited) |
| | AED '000 | AED '000 | AED '000 | AED '000 |
| As at 1 January | 97,095 | 40,164 | | |
| Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders | 23,114 | 57,294 | | |
| Change in fair value | 2,421 | (363) | | |
| | <u>122,630</u> | <u>97,095</u> | | |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

20. Segment information

Operating segment information

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

| | Nine month period ended 30 September (un-audited) | | | | | |
|--|---|--------------|----------------|--------------|-----------|--------------|
| | General insurance | | Life assurance | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| | | (Restated) * | | (Restated) * | | (Restated) * |
| Gross written premium | 613,332 | 464,881 | 188,855 | 193,999 | 802,187 | 658,880 |
| Reinsurance ceded | (295,917) | (218,429) | (97,680) | (74,199) | (393,597) | (292,628) |
| Net retained premium | 317,415 | 246,452 | 91,175 | 119,800 | 408,590 | 366,252 |
| Net change in unearned premium and policyholders' reserve | (33,215) | (46,172) | (27,952) | (40,483) | (61,167) | (86,655) |
| Net earned premium | 284,200 | 200,280 | 63,223 | 79,317 | 347,423 | 279,597 |
| Net claims incurred | (195,293) | (158,764) | (2,918) | (8,802) | (198,211) | (167,566) |
| Net commission earned / (incurred) | 5,504 | 14,677 | (18,658) | (13,604) | (13,154) | 1,073 |
| Administrative expenses | (45,142) | (36,558) | (17,902) | (15,859) | (63,044) | (52,417) |
| Other operational costs related to underwriting activities | (20,544) | (25,293) | (27,603) | (7,631) | (48,147) | (32,924) |
| Decrease in fair value of investment held for unit linked products | - | - | 2,421 | (1,660) | 2,421 | (1,660) |
| Total underwriting expenses | (255,475) | (205,938) | (64,660) | (47,556) | (320,135) | (253,494) |
| Total underwriting profit / (loss) | 28,725 | (5,658) | (1,437) | 31,761 | 27,288 | 26,103 |
| Net investment loss | | | | | (9,396) | (28,882) |
| General and administrative expenses | | | | | (11,573) | (10,090) |
| Profit / (loss) for the period | | | | | 6,319 | (12,869) |

* See note 21

Union Insurance Company P.J.S.C.
Notes to the condensed interim financial information (continued)

20. Segment information (continued)

Operating segment information

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

| | General insurance | | Life assurance | | Total | |
|--|---|---|---|---|---|---|
| | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 | 30 September 2017 (Un-audited) AED '000 | 31 December 2016 (Audited) AED '000 |
| ASSETS | | | | | | |
| Property and equipment | 16,551 | 18,085 | 5,517 | 6,028 | 22,068 | 24,113 |
| Intangible assets | 3,092 | 2,092 | 1,030 | 698 | 4,122 | 2,790 |
| Investment properties | 61,792 | 47,000 | 20,598 | 35,390 | 82,390 | 82,390 |
| Investments securities | 122,135 | 202,687 | 163,341 | 126,719 | 285,476 | 329,406 |
| Development work in progress | 58,590 | 78,120 | 19,530 | - | 78,120 | 78,120 |
| Statutory deposit | 6,000 | 6,000 | 4,000 | 4,000 | 10,000 | 10,000 |
| Reinsurance contract assets | 512,132 | 336,868 | 33,502 | 43,845 | 545,634 | 380,713 |
| Insurance and other receivables | 470,618 | 321,988 | 211,989 | 162,713 | 682,607 | 484,701 |
| Cash and bank balances | 97,303 | 27,198 | 32,435 | 52,739 | 129,738 | 79,937 |
| Total assets | 1,348,213 | 1,040,038 | 491,942 | 432,132 | 1,840,155 | 1,472,170 |
| LIABILITIES | | | | | | |
| Insurance contract liabilities | 844,093 | 612,979 | 50,459 | 60,614 | 894,552 | 673,593 |
| Insurance and other payables | 359,013 | 295,444 | 154,021 | 104,141 | 513,034 | 399,585 |
| Payable to policyholders of unit linked products | - | - | 122,630 | 97,095 | 122,630 | 97,095 |
| Provision for employees' end of service benefits | 3,179 | 2,563 | 1,060 | 854 | 4,239 | 3,417 |
| Total liabilities | 1,206,285 | 910,986 | 328,170 | 262,704 | 1,534,455 | 1,173,690 |
| EQUITY | | | | | | |
| Share capital | | | | | 330,939 | 330,939 |
| Statutory reserve | | | | | 11,076 | 11,076 |
| Special reserve | | | | | 11,076 | 11,076 |
| Fair value reserve | | | | | (8,129) | (23,342) |
| Accumulated losses | | | | | (39,262) | (31,269) |
| Total equity | | | | | 305,700 | 298,480 |
| Total liabilities and equity | | | | | 1,840,155 | 1,472,170 |

Union Insurance Company P.J.S.C.

Notes to the condensed interim financial information (continued)

21. Restatement

On 1 October 2016, the Company aligned the basis of recognising unexpired risk reserves (“URR”) to be in line with the requirements of the financial regulations issued under Federal Law No. 6 of 2007 for insurance companies. As a consequence, the effect of this change has resulted in an increase in the insurance contract liabilities as at 30 September 2016 by AED 5.494 million and a corresponding increase in accumulated losses by the same amount. The following table summarises the impact of the restatement.

(a) Impact of restatement on the condensed interim statement of profit or loss for the nine-month period ended 30 September 2016

| | As previously reported AED '000 | Adjustment AED' 000 | Restated AED '000 |
|--|------------------------------------|------------------------|----------------------|
| Net change in unearned premium and policyholders' reserve | (81,161) | (5,494) | (86,655) |
| Basic and diluted loss per share | (0.022) | (0.017) | (0.039) |

Restatement resulted in change in previously reported loss for the nine month period ended 30 September 2016 of AED 7.375 million to a reported loss of AED 12.869 million and consequently a change in previously reported loss per share of AED 0.022 to a reported loss per share of AED 0.039.

22. Comparative figures

Certain comparative figures have been reclassified where appropriate to confirm with the presentation and accounting policies adopted in these condensed interim financial information.