

Union Insurance Company P.S.C.

Condensed interim financial information
for the three month period ended 31 March 2017

Union Insurance Company P.S.C.

Condensed interim financial statements
for the three month period ended 31 March 2017

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Independent auditors' report on review of condensed interim financial information

The Shareholders
Union Insurance Company P.S.C.

Introduction

We have reviewed the accompanying 31 March 2017 condensed interim financial information of Union Insurance Company P.S.C. ("the Company"), which comprise:

- the condensed interim statement of financial position as at 31 March 2017;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2017;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2017;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2017;
- the condensed interim statement of cash flows for the three-month period ended 31 March 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 31 March 2017 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

A handwritten signature in blue ink, appearing to be 'Fawzi AbuRass', written over two parallel blue lines.

Fawzi AbuRass
Registration No. 968
Dubai, United Arab Emirates
Date: 14 MAY 2017

Union Insurance Company P.S.C.


Condensed interim statement of financial position


as at

		(Un-audited) 31 March 2017	(Audited) 31 December 2016
	Notes	AED	AED
ASSETS			
Property and equipment		23,901,708	24,113,316
Intangible assets		2,569,777	2,789,972
Investment properties		82,390,000	82,390,000
Investment securities	8	329,311,032	329,406,592
Development work-in-progress	7	78,120,000	78,120,000
Statutory deposit		10,000,000	10,000,000
Reinsurance contract assets	11	434,569,846	380,713,394
Insurance and other receivables		574,176,314	484,700,617
Cash and bank balances	12	73,624,080	79,936,160
Total assets		1,608,662,757	1,472,170,051
LIABILITIES			
Insurance contract liabilities	11	754,909,919	673,592,751
Insurance and other payables	10	451,452,188	399,584,892
Payable to policyholders' of unit-linked products	19	112,237,712	97,094,973
Provision for employees' end of service benefits		3,416,877	3,416,877
Total liabilities		1,322,016,696	1,173,689,493
EQUITY			
Share capital		330,939,180	330,939,180
Statutory reserve		11,076,401	11,076,401
Special reserve		11,076,401	11,076,401
Fair value reserve		(29,677,041)	(23,342,135)
Accumulated losses		(36,768,880)	(31,269,289)
Total equity		286,646,061	298,480,558
Total liabilities and equity		1,608,662,757	1,472,170,051

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

The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on 14 MAY 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.

Union Insurance Company P.S.C.
Condensed interim statement of profit or loss
for the period ended 31 March

	<i>Notes</i>	(Un-audited) For the three month period ended 31 March 2017 AED	(Un-audited) For the three month period ended 31 March 2016 AED (Restated)
Gross written premium		257,226,639	242,148,647
Reinsurance ceded		(116,603,764)	(109,256,368)
Net retained premium		140,622,875	132,892,279
Net change in unearned premium and policyholders' reserve		(38,524,097)	(44,092,382)
Net earned premium		102,098,778	88,799,897
Gross claims incurred	<i>11.1</i>	(139,438,913)	(157,700,504)
Insurance claims recovered from reinsurers	<i>11.1</i>	72,249,974	99,614,670
Net claims incurred		(67,188,939)	(58,085,834)
Gross commission earned		18,896,029	17,676,588
Less: commission incurred		(21,205,276)	(16,601,467)
Net commission (incurred) / earned		(2,309,247)	1,075,121
Administrative expenses	<i>18</i>	(17,037,742)	(16,663,149)
Other operational costs related to underwriting activities		(12,644,671)	(9,930,452)
Net movement in fair value of investments held for unit linked products	<i>19</i>	5,813,758	(979,315)
Total underwriting expenses		(26,177,902)	(26,497,795)
Underwriting profit		8,731,937	4,216,268
Net investment loss	<i>17</i>	(10,648,787)	(5,440,721)
General and administrative expenses	<i>18</i>	(3,582,741)	(3,226,835)
Loss for the period		(5,499,591)	(4,451,288)
Loss per share		(0.0166)	(0.0135)

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

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

Union Insurance Company P.S.C.

Condensed interim statement of profit or loss and other comprehensive income

for the period ended 31 March

	(Un-audited) For the three month period ended 31 March 2017 AED	(Un-audited) For the three month period ended 31 March 2016 AED (Restated)
Loss for the period	(5,499,591)	(4,451,288)
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	(6,334,906)	(6,006,987)
<i>Items that are or may be reclassified subsequently to profit or loss</i>	-	-
Total other comprehensive loss for the period	(6,334,906)	(6,006,987)
Total comprehensive loss for the period	(11,834,497)	(10,458,275)

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

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

Union Insurance Company P.S.C.

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

for the period ended 31 March

	Attributable to equity shareholders of the Company					Total AED
	Share capital AED	Statutory reserve AED	Special reserve AED	Fair value reserve AED	(Accumulated losses) AED	
As at 1 January 2016	330,939,180	11,076,401	11,076,401	(7,614,194)	(20,839,240)	324,638,548
Total comprehensive income for the period						
Loss for the period (restated)	-	-	-	-	(4,451,288)	(4,451,288)
Other comprehensive income for the period						
Net change in fair value of investments at FVTOCI	-	-	-	(6,006,987)	-	(6,006,987)
Total other comprehensive loss for the period	-	-	-	(6,006,987)	-	(6,006,987)
Total comprehensive loss for the period	-	-	-	(6,006,987)	(4,451,288)	(10,458,275)
As at 31 March 2016 (restated)	330,939,180	11,076,401	11,076,401	(13,621,181)	(25,290,528)	314,180,273
As at 1 January 2017	330,939,180	11,076,401	11,076,401	(23,342,135)	(31,269,289)	298,480,558
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(5,499,591)	(5,499,591)
Other comprehensive income for the period						
Net change in fair value of investments at FVTOCI	-	-	-	(6,334,906)	-	(6,334,906)
Total other comprehensive loss for the period	-	-	-	(6,334,906)	-	(6,334,906)
Total comprehensive loss for the period	-	-	-	(6,334,906)	(5,499,591)	(11,834,497)
As at 31 March 2017	330,939,180	11,076,401	11,076,401	(29,677,041)	(36,768,880)	286,646,061

Union Insurance Company P.S.C.
Condensed interim statement of cash flows
for the period ended 31 March

		(Un-audited) For the three month period ended 31 March 2017 AED	(Un-audited) For the three month period ended 31 March 2016 AED
Cash flows from operating activities			
Loss for the period		(5,499,591)	(4,451,288)
<i>Adjustment for:</i>			
Depreciation and amortisation	18	857,021	855,262
Gain on disposal of investments at FVTPL	17	-	(39,060)
Unrealised loss on investments at FVTPL	17	9,202,204	4,131,140
Interest income	17	(240,039)	(466,701)
Dividend income	17	(27,594)	(30,000)
Gain on sale of property and equipment		-	(24,792)
Interest on margin trading account	17	1,460,790	1,599,363
Provision for employees' end of service benefits		-	246,351
		<u>5,752,791</u>	<u>1,820,275</u>
Increase in insurance and other receivables		(89,475,697)	(99,682,499)
Increase in reinsurance contract assets		(53,856,452)	(73,500,208)
Increase in insurance contract liabilities		81,317,168	119,692,300
Increase in insurance and other payables		<u>51,867,296</u>	<u>67,875,348</u>
<i>Net cash (used in) / generated from operating activities</i>		<u>(4,394,894)</u>	<u>16,205,216</u>
Cash flows from investing activities			
Purchase of property and equipment		(425,218)	(382,979)
Proceeds from sale of property and equipment		-	50,000
Purchase of investments		(298,811)	(8,806,568)
Proceeds from disposal of investments at FVTPL		-	7,459,420
Interest received		240,039	466,701
Dividend received		27,594	30,000
Decrease in fixed deposit with banks with maturity greater than three months		-	8,271,596
<i>Net cash used in investing activities</i>		<u>(456,396)</u>	<u>7,088,170</u>
Cash flows from financing activities			
Interest on margin trading account		<u>(1,460,790)</u>	<u>(1,599,363)</u>
<i>Net cash used in financing activities</i>		<u>(1,460,790)</u>	<u>(1,599,363)</u>
Net (decrease) / increase in cash and cash equivalents		(6,312,080)	21,694,023
Cash and cash equivalents at 1 January	13	<u>22,855,008</u>	<u>13,891,739</u>
Cash and cash equivalents at 31 March	13	<u><u>16,542,928</u></u>	<u><u>35,585,762</u></u>

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

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

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

1. Legal status and principal activities

Union Insurance Company P.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". They do not include all of the information required for full annual 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").

On 1 April 2015, a new UAE Federal Law No. 2 of 2015 for the Commercial Companies ("UAE Companies Law of 2015") was issued with effective date on 1 July 2015. In June 2016, the UAE cabinet passed a resolution to extend the deadline for existing companies in the UAE to ensure compliance with the new UAE Companies Law from 30 June 2016 to 30 June 2017. The Company is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

Further, 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") since that is the currency in which the majority of the Company's transactions are denominated.

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

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 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 IFRSs 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 31 March 2017 (Un-audited)

<u>Financial assets</u>	FVTPL	FVTOCI	Amortised	Total
	AED	AED	Cost	AED
			AED	
Investment securities	279,121,502	50,189,530	-	329,311,032
Insurance and other receivables	-	-	533,896,172	533,896,172
Statutory deposit	-	-	10,000,000	10,000,000
Cash and bank balances	-	-	73,624,080	73,624,080
	<u>279,121,502</u>	<u>50,189,530</u>	<u>617,520,252</u>	<u>946,831,284</u>
<u>Financial liabilities</u>				
Insurance and other payables	-	-	451,452,188	451,452,188
	<u>-</u>	<u>-</u>	<u>451,452,188</u>	<u>451,452,188</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

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

At 31 December 2016 (Audited)

<u>Financial assets</u>	FVTPL AED	FVTOCI AED	Amortised Cost AED	Total AED
Investment securities	272,882,156	56,524,436	-	329,406,592
Insurance and other receivables	-	-	446,599,993	446,599,993
Statutory deposit	-	-	10,000,000	10,000,000
Cash and bank balances	-	-	79,936,160	79,936,160
	<u>272,882,156</u>	<u>56,524,436</u>	<u>536,536,153</u>	<u>865,942,745</u>
<u>Financial liabilities</u>				
Insurance and other payables	-	-	399,584,892	399,584,892
	<u>-</u>	<u>-</u>	<u>399,584,892</u>	<u>399,584,892</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.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. At the end of the reporting period, work on the project has not been started.

8. Investment securities

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Financial assets at fair value through profit or loss	279,121,502	272,882,156
Financial assets at fair value through other comprehensive income	50,189,530	56,524,436
	<u>329,311,032</u>	<u>329,406,592</u>

8.1 Investments at fair value through profit or loss

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Investments held on behalf of policyholders' unit linked products (Note 19)	112,237,712	97,094,973
Quoted equity securities in U.A.E.	137,867,557	146,832,051
Quoted equity securities outside U.A.E.	391,976	333,334
Unquoted equity securities outside U.A.E.	2,936,702	2,934,243
Quoted bond securities outside U.A.E.	25,687,555	25,687,555
	<u>279,121,502</u>	<u>272,882,156</u>

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

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

8. Investment securities (continued)

8.2 Investments at fair value through other comprehensive income

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
<i>Equity securities</i>		
Quoted equity securities in U.A.E.	49,889,530	56,224,436
Unquoted equity securities in U.A.E.	300,000	300,000
	<u>50,189,530</u>	<u>56,524,436</u>

8.3 Financial assets - geographic concentration

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
- Within U.A.E.	300,294,799	300,451,460
- Outside U.A.E	29,016,233	28,955,132
	<u>329,311,032</u>	<u>329,406,592</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 31 March 2017 (Un-audited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>Financial assets</u>				
FVTPL - financial assets	276,184,800	-	2,936,702	279,121,502
FVTOCI - financial assets	49,889,530	-	300,000	50,189,530
	<u>326,074,330</u>	-	<u>3,236,702</u>	<u>329,311,032</u>
<u>Non financial assets</u>				
Investment properties	-	-	82,390,000	82,390,000
	<u>326,074,330</u>	-	<u>85,626,702</u>	<u>411,701,032</u>
At 31 December 2016 (Audited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>Financial assets</u>				
FVTPL - financial assets	269,947,913	-	2,934,243	272,882,156
FVTOCI - financial assets	56,224,436	-	300,000	56,524,436
	<u>326,172,349</u>	-	<u>3,234,243</u>	<u>329,406,592</u>
<u>Non financial assets</u>				
Investment properties	-	-	82,390,000	82,390,000
	<u>326,172,349</u>	-	<u>85,624,243</u>	<u>411,796,592</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

10. Insurance and other payables

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Trade payables	173,343,557	155,635,582
Due to insurance and reinsurance companies	148,250,239	133,219,279
Premium reserve withheld	35,682,909	34,406,341
	<u>357,276,705</u>	<u>323,261,202</u>
Other payables:		
Unclaimed dividends	2,068,553	2,083,251
Accrued expenses and others	62,150,242	50,632,553
Bank overdraft	29,956,688	23,607,886
	<u>451,452,188</u>	<u>399,584,892</u>

11. Insurance contract liabilities and reinsurance contract assets

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Gross insurance contract liabilities		
Claims reported unsettled	316,422,028	290,234,808
Claims incurred but not reported	94,242,995	88,081,940
Unearned premiums	344,244,896	295,276,003
	<u>754,909,919</u>	<u>673,592,751</u>
Reinsurer's contract assets		
Claims reported unsettled	(251,417,109)	(226,245,007)
Claims incurred but not reported	(42,902,538)	(39,805,724)
Unearned premiums	(140,250,199)	(114,662,663)
	<u>(434,569,846)</u>	<u>(380,713,394)</u>
Net		
Claims reported unsettled	65,004,919	63,989,801
Claims incurred but not reported	51,340,457	48,276,216
Unearned premiums	203,994,697	180,613,340
	<u>320,340,073</u>	<u>292,879,357</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

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 31 March 2017 (un-audited)			Period ended 31 March 2016 (un-audited)		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
<i>Outstanding claims at end of period</i>						
Notified claims	316,422,028	(251,417,109)	65,004,919	202,553,195	(156,647,739)	45,905,456
Incurred but not reported	94,242,995	(42,902,538)	51,340,457	63,912,687	(29,299,655)	34,613,032
	410,665,023	(294,319,647)	116,345,376	266,465,882	(185,947,394)	80,518,488
Claims settled in the period	113,042,295	(43,981,058)	69,061,237	111,068,538	(51,149,395)	59,919,143
<i>Outstanding claims at beginning of period</i>						
Notified claims	(290,234,808)	226,245,007	(63,989,801)	(168,597,429)	123,180,702	(45,416,727)
Incurred but not reported	(88,081,940)	39,805,724	(48,276,216)	(42,534,346)	14,301,417	(28,232,929)
	145,390,570	(72,249,974)	73,140,596	166,402,645	(99,614,670)	66,787,975
Increase in recoveries	(5,951,657)	-	(5,951,657)	(8,702,141)	-	(8,702,141)
Claims incurred	139,438,913	(72,249,974)	67,188,939	157,700,504	(99,614,670)	58,085,834
Unearned premium						
Total at the end of the period						
	344,244,896	(140,250,199)	203,994,697	292,374,005	(131,251,716)	161,122,289
Release during the period	295,276,003	(114,662,663)	180,613,340	210,673,864	(106,216,785)	104,457,079
Increase during the period	(344,244,896)	140,250,199	(203,994,697)	(292,374,005)	131,251,716	(161,122,289)
Net movement during the period	(48,968,893)	25,587,536	(23,381,357)	(81,700,141)	25,034,931	(56,665,210)
Total at the beginning of the period	295,276,003	(114,662,663)	180,613,340	210,673,864	(106,216,785)	104,457,079

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

12. Bank balances and cash

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Cash in hand	<u>82,500</u>	<u>82,500</u>
Bank balances:		
Current accounts	4,253,608	10,605,808
Fixed deposits	<u>69,287,972</u>	<u>69,247,852</u>
	<u>73,541,580</u>	<u>79,853,660</u>
	<u>73,624,080</u>	<u>79,936,160</u>
Bank balances:		
In U.A.E.	69,725,920	75,945,006
Outside UAE & G.C.C. countries	<u>3,815,660</u>	<u>3,908,654</u>
	<u>73,541,580</u>	<u>79,853,660</u>

Fixed deposit carried interest ranging from 1% to 6.1% per annum (2016: 1% to 6.1% per annum). Fixed deposits of AED 62 million (2016: 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:

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Bank balances and cash (refer note 12)	73,624,080	79,936,160
Bank fixed deposits with maturity greater than three months	<u>(57,081,152)</u>	<u>(57,081,152)</u>
	<u>16,542,928</u>	<u>22,855,008</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:

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Premium receivable (included in due from policyholders)	25,779,696	24,725,500
Gross outstanding claims (included in claims reported unsettled)	1,417,014	892,900
Investment properties	82,390,000	82,390,000
Development work-in-progress	<u>78,120,000</u>	<u>78,120,000</u>

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.S.C.

Notes to the condensed interim financial information

14. Related party transactions (continued)

Transactions

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

	For the three month period ended 31 March	
	2017 (Un-audited) AED	2016 (Un-audited) AED
Premiums written	1,832,419	4,192,971
Claims paid	793,470	2,001,850

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

Compensation of key management personnel

Short-term benefits	600,000	600,000
Long-term benefits	35,000	34,712

15. Contingent liabilities

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Letters of guarantee*	32,419,577	32,419,577

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

16. Capital commitments

	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
Commitment for the construction of development properties	54,978,688	54,978,688

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 three month period ended 31 March	
	2017 (Un-audited) AED	2016 (Un-audited) AED
Interest on fixed deposits	240,039	466,701
Dividend income	27,594	30,000
Realised gains on investments	-	39,060
Unrealised losses on investments at fair value through profit and loss	(9,202,204)	(4,131,140)
Interest on margin trading account	(1,460,790)	(1,599,363)
Others	(253,426)	(245,979)
	<u>(10,648,787)</u>	<u>(5,440,721)</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

18. General and administrative expenses

	For the three month period ended 31 March	
	2017	2016
	(Un-audited)	(Un-audited)
	AED	AED
General and administrative expenses for underwriting operations	(17,037,742)	(16,663,149)
Others- for investments and centralised operation	(3,582,741)	(3,226,835)
Total	<u>(20,620,483)</u>	<u>(19,889,984)</u>

The above general and administration expenses include the following costs:

	2017	2016
	(Un-audited)	(Un-audited)
	AED	AED
Staff costs	14,020,270	14,554,632
Rent	1,596,670	1,399,068
Depreciation and amortisation	857,021	855,262
Other	4,146,522	3,081,022
	<u>20,620,483</u>	<u>19,889,984</u>

19. Payable to policyholders' of unit linked products

The Company issued unit linked policies which has both the risk and investment component. 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:

	31 March	31 December
	2017	2016
	(Un-audited)	(Audited)
	AED	AED
As at 1 January	97,094,973	40,163,569
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	9,328,981	57,294,440
Change in fair value	5,813,758	(363,036)
	<u>112,237,712</u>	<u>97,094,973</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

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 Company reports its primary segment information.

	Three month period ended 31 March (un-audited)					
	General insurance		Life assurance		Total	
	2017 AED	2016 AED <i>(Restated)</i>	2017 AED	2016 AED <i>(Restated)</i>	2017 AED	2016 AED <i>(Restated)</i>
Gross written premium	201,362,170	181,059,322	55,864,469	61,089,325	257,226,639	242,148,647
Reinsurance ceded	(91,099,468)	(83,726,574)	(25,504,296)	(25,529,794)	(116,603,764)	(109,256,368)
Net retained premium	110,262,702	97,332,748	30,360,173	35,559,531	140,622,875	132,892,279
Net change in unearned premium and policyholders' reserve	(21,519,971)	(29,214,351)	(17,004,126)	(14,878,031)	(38,524,097)	(44,092,382)
Net earned premium	88,742,731	68,118,397	13,356,047	20,681,500	102,098,778	88,799,897
Net claims incurred	(64,961,499)	(54,887,212)	(2,227,440)	(3,198,622)	(67,188,939)	(58,085,834)
Net commission earned / incurred	4,822,356	7,331,033	(7,131,603)	(6,255,912)	(2,309,247)	1,075,121
Administrative expenses	(12,285,081)	(11,452,731)	(4,752,661)	(5,210,418)	(17,037,742)	(16,663,149)
Other operational costs related to underwriting activities	(9,712,541)	(7,322,274)	(2,932,130)	(2,608,178)	(12,644,671)	(9,930,452)
Increase in fair value of investment held for unit linked products	-	-	5,813,758	(979,315)	5,813,758	(979,315)
Total underwriting expenses	(82,136,765)	(66,331,184)	(11,230,076)	(18,252,445)	(93,366,841)	(84,583,629)
Total underwriting profit	6,605,966	1,787,213	2,125,971	2,429,055	8,731,937	4,216,268
Net investment loss					(10,648,787)	(5,440,721)
General and administrative expenses					(3,582,741)	(3,226,835)
Loss for the period					(5,499,591)	(4,451,288)

*See note 21

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

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	
	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED	31 March 2017 (Un-audited) AED	31 December 2016 (Audited) AED
ASSETS						
Property and equipment	17,926,281	18,084,987	5,975,427	6,028,329	23,901,708	24,113,316
Intangible assets	1,927,333	2,092,479	642,444	697,493	2,569,777	2,789,972
Investment properties	47,000,000	47,000,000	35,390,000	35,390,000	82,390,000	82,390,000
Investments securities	190,352,891	202,686,884	138,958,141	126,719,708	329,311,032	329,406,592
Development work in progress	78,120,000	78,120,000	-	-	78,120,000	78,120,000
Statutory deposit	6,000,000	6,000,000	4,000,000	4,000,000	10,000,000	10,000,000
Reinsurance contract assets	395,041,384	336,868,242	39,528,462	43,845,152	434,569,846	380,713,394
Insurance and other receivables	389,247,221	321,987,313	184,929,093	162,713,304	574,176,314	484,700,617
Cash and bank balances	20,478,975	27,197,187	53,145,105	52,738,973	73,624,080	79,936,160
Total assets	1,146,094,085	1,040,037,092	462,568,672	432,132,959	1,608,662,757	1,472,170,051
LIABILITIES						
Insurance contract liabilities	697,286,193	612,979,287	57,623,726	60,613,464	754,909,919	673,592,751
Insurance and other payables	327,195,026	295,444,272	124,257,162	104,140,620	451,452,188	399,584,892
Payable to policyholders of unit linked products	-	-	112,237,712	97,094,973	112,237,712	97,094,973
Provision for employees' end of service benefits	2,562,658	2,562,658	854,219	854,219	3,416,877	3,416,877
Total liabilities	1,027,043,877	910,986,217	294,972,819	262,703,276	1,322,016,696	1,173,689,493
EQUITY						
Share capital					330,939,180	330,939,180
Statutory reserve					11,076,401	11,076,401
Special reserve					11,076,401	11,076,401
Fair value reserve					(29,677,041)	(23,342,135)
Accumulated losses					(36,768,880)	(31,269,289)
Total equity					286,646,061	298,480,558
Total liabilities and equity					1,608,662,757	1,472,170,051

Union Insurance Company P.S.C.

Notes to the condensed interim financial information

21. Restatement

On 1 October 2016, the Company has aligned the basis of recognising unexpired risk reserves (“URR”) to be in line with the requirements of the financial regulations issued under Federal law number 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 31 March 2016 by AED 4.451 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 three month period ended 31 March 2016

	As previously reported AED	Adjustment AED	Restated AED
Net change in unearned premium and policyholders' reserve	(39,588,331)	(4,504,051)	(44,092,382)
Basic and diluted earnings per share	0.0002	(0.014)	(0.0135)

Restatement resulted in change in previously reported profit for the three month period ended 31 March 2016 of AED 0.053 million to reported loss of AED 4.451 million and consequently change in previously reported earning per share of AED 0.0002 to reported loss per share of AED 0.0135.

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.