

Union Insurance Company P.J.S.C.

CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2019 (UNAUDITED)

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C.

Introduction

We have reviewed the accompanying condensed interim financial statements of Union Insurance Company P.J.S.C. (the “Company”), which comprise the interim statement of financial position as at 30 September 2019, and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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.

For Ernst & Young



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

11 November 2019

Dubai, United Arab Emirates

Union Insurance Company P.J.S.C.

INTERIM STATEMENT OF INCOME

For the period ended 30 September 2019 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 AED '000	2018 AED '000	2019 AED '000	2018 AED '000
UNDERWRITING INCOME					
Gross written premium		238,788	242,100	720,953	722,255
Reinsurance ceded		(99,078)	(136,907)	(372,089)	(386,736)
		139,710	105,193	348,864	335,519
Net change in unearned premium and policyholders' reserve		(31,343)	20,244	(56,457)	26,629
Net earned premium		108,367	125,437	292,407	362,148
Gross commission earned		14,686	16,087	69,342	48,479
Total underwriting income		123,053	141,524	361,749	410,627
UNDERWRITING EXPENSES					
Gross claims incurred		(139,757)	(125,424)	(347,832)	(386,941)
Insurance claims recovered from reinsurers		94,875	64,501	207,951	202,021
Net claims incurred		(44,882)	(60,923)	(139,881)	(184,920)
Commission incurred		(25,561)	(25,806)	(93,123)	(68,747)
Administrative expenses		(20,119)	(19,140)	(59,903)	(56,750)
Other operational costs related to underwriting activities		(17,964)	(16,235)	(51,633)	(48,952)
Net movement in reserve of unit linked products		(7,367)	(11,587)	6,404	(17,167)
Total underwriting expenses		(115,893)	(133,691)	(338,136)	(376,536)
UNDERWRITING PROFIT		7,160	7,833	23,613	34,091
Net investment income / (loss)		2,470	845	13,264	(8,977)
General and administrative expenses		(4,027)	(3,639)	(11,653)	(11,050)
PROFIT FOR THE PERIOD		5,603	5,039	25,224	14,064
Basic and diluted earnings per share (AED)	3	0.017	0.015	0.076	0.043

The attached explanatory notes 1 to 15 form part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2019 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 AED '000</i>	<i>2018 AED '000</i>	<i>2019 AED '000</i>	<i>2018 AED '000</i>
Profit for the period	5,603	5,039	25,224	14,064
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>				
Net realized loss on disposal of investment at fair value through other comprehensive income:	-	-	228	-
Net change in fair value of investments at fair value through other comprehensive income	77	350	3,045	(2,778)
Other comprehensive income/ (loss) for the period	77	350	3,273	(2,778)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,680	5,389	28,497	11,286

The attached explanatory notes 1 to 15 form part of these condensed interim financial statements.


Union Insurance Company P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 (Unaudited)

	<i>Notes</i>	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
ASSETS			
Property and equipment		101,583	105,957
Right-of-use assets		3,871	-
Intangible assets		8,972	6,433
Investment properties	5	75,195	75,195
Investment securities	4	183,436	200,595
Investments held on behalf of policyholders' unit linked products		224,752	163,118
Statutory deposit		10,000	10,000
Reinsurance contract assets		548,141	473,547
Insurance and other receivables		508,637	499,256
Cash and bank balances	6	149,184	121,373
Total assets		1,813,771	1,655,474
LIABILITIES			
Bank overdraft		9,284	6,312
Insurance contract liabilities		808,920	756,754
Insurance and other payables		434,124	421,464
Provision for employees' end of service benefits		8,170	7,574
Payable to policyholders' of unit-linked products		224,752	163,118
Total liabilities		1,485,250	1,355,222
EQUITY			
Share capital	7	330,939	330,939
Statutory reserve	8	12,718	12,718
Special reserve	8	12,718	12,718
Fair value reserve	8	(11,344)	(14,617)
Accumulated losses		(16,510)	(41,506)
TOTAL EQUITY		328,521	300,252
TOTAL LIABILITIES AND EQUITY		1,813,771	1,655,474


 Mohammed Hareb Al Mazroei
 Chairman


 Abdul Mutaleb M HM Aljaede
 Managing Director and Chief Executive Officer

The attached explanatory notes 1 to 15 form part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Unaudited)

	Attributable to equity shareholders of the Company					Total AED '000
	Share capital AED '000	Statutory reserve AED '000	Special reserve AED '000	Fair value reserve AED '000	(Accumulated losses) AED '000	
Balance at 1 January 2019	330,939	12,718	12,718	(14,617)	(41,506)	300,252
Profit for the period	-	-	-	-	25,224	25,224
Other comprehensive gain for the period	-	-	-	3,273	-	3,273
Total comprehensive income for the period	-	-	-	3,273	25,224	28,497
Loss on sale of fair value investment held through other comprehensive income	-	-	-	-	(228)	(228)
Balance at 30 September 2019	330,939	12,718	12,718	(11,344)	(16,510)	328,521
Balance at 1 January 2018	330,939	12,098	12,098	(8,381)	(37,408)	309,346
Profit for the period	-	-	-	-	14,064	14,064
Net Change in fair value of investment at FVTOCI	-	-	-	(2,778)	-	(2,778)
Total comprehensive (loss)/ income for the period	-	-	-	(2,778)	14,064	11,286
Balance at 30 September 2018	330,939	12,098	12,098	(11,159)	(23,344)	320,632

The attached explanatory notes 1 to 15 form part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Unaudited)

	Note	Nine months ended 30 September	
		2019 AED '000	2018 AED '000
OPERATING ACTIVITIES			
Profit for the period		25,224	14,064
Adjustment for:			
Depreciation and amortisation		4,437	3,002
(Gain) / Loss on disposal of investments at FVTPL		(177)	350
Unrealised (gain) / loss on investments at FVTPL		(6,152)	12,510
Interest income		(6,420)	(2,628)
Dividend income		(3,052)	(3,188)
Interest on margin trading account		1,727	1,193
Provision for employees' end of service benefits		1,265	2,718
		<u>16,852</u>	<u>28,021</u>
(Increase) / Decrease in insurance and other receivables		(9,381)	111,027
(Increase) / Decrease in reinsurance contract assets		(74,594)	31,798
Increase / (Decrease) in insurance contract liabilities		52,166	(72,476)
Increase / (Decrease) in insurance and other payables		64,238	(18,620)
Employees' end of service benefits paid		(669)	(413)
		<u>48,612</u>	<u>79,337</u>
Net cash generated from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,428)	(4,264)
Proceeds from sale of property and equipment			3
Purchase of investments		(26,781)	(68,705)
Purchase of policyholders' of unit-linked products		(61,634)	(12,779)
Proceeds from disposal of investments at FVTPL		49,625	24,475
Proceeds from disposal of investments at FVTOCI		3,689	-
Interest received		6,420	2,628
Dividend received		3,052	3,188
Decrease in fixed deposit with banks with maturity greater than three months		17,082	1,757
		<u>17,082</u>	<u>1,757</u>
Net cash (used in) investing activities		<u>(9,975)</u>	<u>(53,697)</u>
FINANCING ACTIVITY			
Interest on margin trading account		(1,728)	(1,193)
		<u>(1,728)</u>	<u>(1,193)</u>
Net cash used in financing activity			
		<u>(1,728)</u>	<u>(1,193)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>36,909</u>	<u>24,447</u>
Cash and cash equivalents at 1 January	6	21,526	13,834
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	<u><u>58,435</u></u>	<u><u>38,281</u></u>

The attached explanatory notes 1 to 15 form part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

1 CORPORATE 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 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.

The condensed interim financial statements were authorised for issue in accordance with a resolution of the directors on 11 November 2019

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The condensed interim financial statements of the Company are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

These condensed interim 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 2018. In addition, results for the Nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Changes in accounting estimates

The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company applies, for the first time, IFRS 16 Leases that is effective from 1 January 2019. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed interim financial statements of the Company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>2019</i> <i>AED'000</i>
Assets	
Right-of-use assets	5,044
Insurance and other receivables	(579)
	<hr/>
Total assets	4,465
	<hr/>
Liabilities	
Interest-bearing loans and borrowings*	4,465
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*Included under insurance and other payables in the statement of financial position

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

IFRS 16 Leases (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>2019</i> <i>AED'000</i>
Operating lease commitments as at 31 December 2018	9,786
Weighted average incremental borrowing rate as at 1 January 2019	6.7%
Discounted operating lease commitments at 1 January 2019	9,058
Less:	
Commitments relating to short-term lease	(4,593)
Lease liabilities as at 1 January 2019	<u>4,465</u>

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movement during the period:

	<i>Right-of-use asset AED'000</i>	<i>Lease liabilities AED'000</i>
As at 1 January 2019	5,044	4,465
Depreciation expense	(1,173)	-
Interest expense	-	602
Payments	-	(1,394)
	<u>3,871</u>	<u>3,673</u>
As at 30 September 2019	<u>3,871</u>	<u>3,673</u>

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period, net of directors' fees, by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period (AED'000)	5,603	5,039	25,224	14,064
Weighted average number of shares outstanding during the period ('000)	330,939	330,939	330,939	330,939
Earnings per share (AED)	<u>0.017</u>	<u>0.015</u>	<u>0.076</u>	<u>0.043</u>

No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

4 INVESTMENT SECURITIES

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Financial assets at fair value through profit or loss	158,635	174,764
Financial assets at fair value through other comprehensive income	24,801	25,831
	<u>183,436</u>	<u>200,595</u>

4.1 Investments at fair value through profit or loss

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Quoted equity securities in U.A.E.	80,110	74,480
Quoted equity securities outside U.A.E.	6,007	5,428
Quoted bond securities in U.A.E.	37,412	32,546
Quoted bond securities outside U.A.E.	18,575	49,007
Investment in funds outside U.A.E.	9,638	6,409
Unquoted equity securities outside U.A.E.	2,948	2,949
Unquoted equity securities in U.A.E.	3,945	3,945
	<u>158,635</u>	<u>174,764</u>

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

4.2 Investments at fair value through other comprehensive income

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
<i>Equity securities</i>		
Quoted equity securities in U.A.E.	7,943	7,606
Fund securities outside U.A.E.	16,558	17,741
Quoted bond securities outside U.A.E.	-	184
Unquoted securities in U.A.E.	300	300
	<u>24,801</u>	<u>25,831</u>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

4 INVESTMENT SECURITIES

4.2 Investments at fair value through other comprehensive income (continued)

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:

<i>At 30 September 2019 (Unaudited)</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Financial assets				
FVTPL - financial assets	155,687	-	2,948	158,635
FVTOCI - financial assets	24,501	-	300	24,801
	<u>180,188</u>		<u>3,248</u>	<u>183,436</u>
Non financial assets				
Investment properties	-	-	75,195	75,195
	<u>180,188</u>	<u>-</u>	<u>78,443</u>	<u>258,631</u>
<i>At 31 December 2018 (Audited)</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Financial assets				
FVTPL — financial assets	167,870	-	6,894	174,764
FVTOCI — financial assets	25,531	-	300	25,831
	<u>193,401</u>	<u>-</u>	<u>7,194</u>	<u>200,595</u>
Non financial assets				
Investment properties	-	-	75,195	75,195
	<u>193,401</u>	<u>-</u>	<u>82,389</u>	<u>275,790</u>

5 INVESTMENT PROPERTIES

Investment properties represent the fair value of the properties which are located in the U.A.E.

Investment properties are stated at fair value, which has been principally determined based on valuations performed by management. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded in the statement of income. Fair value of the Company's investment properties are based on unobservable inputs (i.e. Level 3).

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

6 CASH AND BANK BALANCES

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>	<i>30 September 2018 AED'000</i>
Cash in hand	52	83	83
Bank balances:			
Current accounts	18,710	20,072	25,897
Fixed deposits	130,422	101,218	80,958
	<u>149,132</u>	<u>121,290</u>	<u>106,855</u>
Cash and bank balances	149,184	121,373	106,938
Less: Deposits with original maturities greater than three months	(81,465)	(93,535)	(62,272)
Less: Bank overdraft	(9,284)	(6,312)	(6,385)
Cash and cash equivalents	<u>58,435</u>	<u>21,526</u>	<u>38,281</u>
Bank balances:			
In U.A.E.	118,952	102,843	96,231
Outside UAE & G.C.C. countries	30,180	18,447	10,625
	<u>149,132</u>	<u>121,290</u>	<u>106,856</u>

Fixed deposit carried interest ranging from 1 % to 8.5% per annum (2018: 1% to 8% per annum). Fixed deposits of AED 13 million (2018: AED 62 million) have been pledged as security against the overdraft facility.

7 SHARE CAPITAL

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Issued and fully paid 330,939,180 shares of AED 1 each (2018: 330,939,180 share of AED 1 each)	<u>330,939</u>	<u>330,939</u>

8 RESERVES

NATURE AND PURPOSE OF RESERVES

- 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. Accordingly, no transfers have been made during the three months period ended 30 September 2019. The reserve is not available for distribution except in the circumstances stipulated by the law.

- SPECIAL RESERVE**

In accordance with its 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 utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director.

- 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

9 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:

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Premium receivable (included in due from policyholders)	26,259	25,914
Gross outstanding claims (included in claims reported unsettled)	578	752

Investment Properties of AED 75,195 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 acting as custodian of the Company's share of investment in the project. (Refer Note 5).

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

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.

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

	<i>Nine months ended 30 September</i>	
	<i>2019 AED'000</i>	<i>2018 AED'000</i>
Premiums written	1,996	1,665
Claims paid	1,542	1,118
Premiums are charged to related parties at rates agreed with management.		
Compensation of key management personnel		
Short-term benefits	3,330	1,800
Long-term benefits	248	105

10 CONTINGENT LIABILITIES

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Letters of guarantee*	38,147	33,138

*Includes AED 10,000 thousand (31 December 2018: AED 10 million) issued in favour of Insurance Authority of U.A.E.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

11 CAPITAL COMMITMENTS

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Commitment for the construction of development properties	<u>54,979</u>	<u>54,979</u>

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

12 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 4.1 of these condensed interim financial information.

Movement during the period / year:

	<i>30 September 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
As at 1 January	163,118	133,426
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	55,230	54,847
Change in reserve	6,404	(25,155)
	<u>224,752</u>	<u>163,118</u>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

13 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.

Nine month period ended 30 September

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
UNDERWRITING INCOME						
Gross written premium	495,830	507,576	225,123	214,679	720,953	722,255
Reinsurance ceded	(297,475)	(280,658)	(74,614)	(106,078)	(372,089)	(386,736)
Net retained premium	198,355	226,918	150,509	108,601	348,864	335,519
Net change in unearned premium and policyholders' reserve	20,518	38,217	(76,975)	(11,588)	(56,457)	26,629
Net earned premium	218,873	265,135	73,534	97,013	292,407	362,148
Gross commission earned	46,382	47,655	22,960	824	69,342	48,479
Total underwriting income	265,255	312,790	96,494	97,837	361,749	410,627
UNDERWRITING EXPENSES						
Net claims incurred	(133,354)	(181,103)	(6,527)	(3,817)	(139,881)	(184,920)
Commission incurred	(42,018)	(44,063)	(51,105)	(24,684)	(93,123)	(68,747)
Administrative expenses	(43,369)	(38,969)	(16,534)	(17,781)	(59,903)	(56,750)
Other operational costs related to underwriting activities	(33,979)	(35,782)	(17,654)	(13,170)	(51,633)	(48,952)
Net movement in fair value of investment held for unit linked products	-	-	6,404	(17,167)	6,404	(17,167)
Total underwriting expenses	(252,720)	(299,917)	(85,416)	(76,619)	(338,136)	(376,536)
Total underwriting profit	12,535	12,873	11,078	21,218	23,613	34,091
Net investment loss					13,264	(8,977)
General and administrative expenses					(11,653)	(11,050)
Profit for the period					25,224	14,064

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

13 SEGMENT INFORMATION (continued)

Operating segment information (continued)

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 2019 AED'000	31 December 2018 AED'000	30 September 2019 AED'000	31 December 2018 AED'000	30 September 2019 AED'000	31 December 2018 AED'000
ASSETS						
Property and equipment	76,187	79,467	25,396	26,490	101,583	105,957
Right-of-use assets	2,903	-	968	-	3,871	-
Intangible assets	6,729	4,825	2,243	1,608	8,972	6,433
Investment properties	56,396	56,396	18,799	18,799	75,195	75,195
Investments securities	130,033	131,430	53,403	69,165	183,436	200,595
Investments held on behalf of policyholders' unit linked products	-	-	224,752	163,118	224,752	163,118
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	455,202	438,577	92,939	34,970	548,141	473,547
Insurance and other receivables	346,717	378,152	161,920	121,104	508,637	499,256
Cash and bank balances	89,253	77,194	59,931	44,179	149,184	121,373
Total assets	1,169,420	1,172,041	644,351	483,433	1,813,771	1,655,474
LIABILITIES						
Due to Banks	9,284	6,312	-	-	9,284	6,312
Insurance contract liabilities	696,880	707,050	112,040	49,704	808,920	756,754
Insurance and other payables	317,343	329,781	116,781	91,683	434,124	421,464
Provision for employees' end of service benefits	6,128	5,680	2,042	1,894	8,170	7,574
Payable to policyholders of unit linked products	-	-	224,752	163,118	224,752	163,118
Total liabilities	1,029,635	1,048,823	455,615	306,399	1,485,250	1,355,222

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

13 SEGMENT INFORMATION (continued)

Operating segment information (continued)

	General insurance		Life assurance		Total
	30 September 2019 AED '000	31 December 2018 AED '000	30 September 2019 AED '000	31 December 2018 AED '000	
EQUITY					
Share capital			330,939	330,939	
Statutory reserve			12,718	12,718	
Special reserve			12,718	12,718	
Fair value reserve			(11,344)	(14,617)	
Accumulated losses			(16,510)	(41,506)	
Total equity			328,521	300,252	
Total liabilities and equity			1,813,771	1,655,474	

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

14 SEASONALITY OF RESULTS

Dividend income amounted to AED 3,001 thousand and AED 3,148 thousand for the nine-month periods ended 30 September 2019 and 30 September 2018, 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 period ended 30 September 2019 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 2019.

15 COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified due to the following:

Recoverable from reinsurer towards policyholders' of unit-linked products in the previous year amounting to AED 13,083 thousand that were previously disclosed under "liabilities" in payable to policyholders' of unit-linked products have been reclassified to "Assets" in the respective balance sheets to reflect more appropriately its nature of realisation and conform to the presentation for the current year.

Accordingly, appropriate adjustments have been made to reclassify the applicable balances in the balance sheets as at 31 December 2018. The effect of the adjustment is summarised as follows:

	<i>As previously reported AED '000</i>	<i>Adjustments AED '000</i>	<i>As currently reported AED '000</i>
2017			
Statement of financial position			
Assets			
Recoverable from reinsurer towards policyholders' of unit-linked products	-	13,083	13,083
Liabilities			
Payable to policyholders' of unit-linked products	<u>150,035*</u>	<u>13,083</u>	<u>163,118</u>

*These balances include net position ie, debit and credit of AED 13,083 has been offset and shown at net level as at 31 December 2018.