

# **Union Insurance Company P.J.S.C.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**30 JUNE 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 June 2019, and the related interim statements of income and comprehensive income for the three-month and six-month periods then ended, and statements of changes in equity and cash flows for the six-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

31 July 2019

Dubai, United Arab Emirates

Union Insurance Company P.J.S.C.  
**INTERIM STATEMENT OF INCOME**  
For the period ended 30 June 2019 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
<i>Note</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>
<b>UNDERWRITING INCOME</b>				
Gross written premium	237,988	255,717	482,165	480,155
Reinsurance ceded	(135,534)	(135,173)	(273,011)	(249,829)
	102,454	120,544	209,154	230,326
Net change in unearned premium and policyholders' reserve	(10,946)	(8,045)	(25,114)	6,385
Net earned premium	91,508	112,499	184,040	236,711
Gross commission earned	35,867	15,833	54,656	32,392
<b>Total underwriting income</b>	<b>127,375</b>	<b>128,332</b>	<b>238,696</b>	<b>269,103</b>
<b>UNDERWRITING EXPENSES</b>				
Gross claims incurred	(99,517)	(109,396)	(208,075)	(261,517)
Insurance claims recovered from reinsurers	54,035	55,433	113,076	137,520
Net claims incurred	(45,482)	(53,963)	(94,999)	(123,997)
Commission incurred	(41,960)	(20,116)	(67,562)	(42,941)
Administrative expenses	(20,719)	(21,800)	(39,784)	(37,610)
Other operational costs related to underwriting activities	(16,323)	(19,197)	(33,669)	(32,717)
Net movement in reserve of unit linked products	5,409	(894)	13,771	(5,580)
<b>Total underwriting expenses</b>	<b>(119,075)</b>	<b>(115,970)</b>	<b>(222,243)</b>	<b>(242,845)</b>
<b>UNDERWRITING PROFIT</b>	<b>8,300</b>	<b>12,362</b>	<b>16,453</b>	<b>26,258</b>
Net investment income / (loss)	4,785	(3,931)	10,794	(9,822)
General and administrative expenses	(4,002)	(3,579)	(7,626)	(7,411)
<b>PROFIT FOR THE PERIOD</b>	<b>9,083</b>	<b>4,852</b>	<b>19,621</b>	<b>9,025</b>
Basic and diluted earnings per share (AED)	3	0.027	0.015	0.059
		0.027	0.015	0.027

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 June 2019 (Unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</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	9,083	4,852	19,621	9,025
<b>OTHER COMPREHENSIVE INCOME</b>				
<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	-	228	-
Net change in fair value of investments at fair value through other comprehensive income	(98)	(1,855)	2,968	(3,128)
<b>Other comprehensive income/ (loss) for the period</b>	<b>130</b>	<b>(1,855)</b>	<b>3,196</b>	<b>(3,128)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>9,213</b>	<b>2,997</b>	<b>22,817</b>	<b>5,897</b>

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 June 2019 (Unaudited)

	<i>Notes</i>	<i>30 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
<b>ASSETS</b>			
Property and equipment		101,774	105,957
Right-of-use assets		4,258	-
Intangible assets		9,689	6,433
Investment properties	5	75,195	75,195
Investment securities	4	204,757	200,595
Investments held on behalf of policyholders' unit linked products		208,072	163,118
Statutory deposit		10,000	10,000
Reinsurance contract assets		518,097	473,547
Insurance and other receivables		520,366	499,256
Cash and bank balances	6	143,079	121,373
<b>Total assets</b>		<b>1,795,287</b>	<b>1,655,474</b>
<b>LIABILITIES</b>			
Bank overdraft		13,761	6,312
Insurance contract liabilities		788,531	756,754
Insurance and other payables		454,510	421,464
Provision for employees' end of service benefits		7,572	7,574
Payable to policyholders' of unit-linked products		208,072	163,118
<b>Total liabilities</b>		<b>1,472,446</b>	<b>1,355,222</b>
<b>EQUITY</b>			
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	(11,421)	(14,617)
Accumulated losses	8	(22,113)	(41,506)
<b>TOTAL EQUITY</b>		<b>322,841</b>	<b>300,252</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,795,287</b>	<b>1,655,474</b>



Ahmad Majid Ahmad Nasser Lootah  
Vice Chairman



Abdul Mutaleb M H M 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 June 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	-	-	-	-	19,621	19,621
Loss on sale of fair value investment held through other comprehensive income	-	-	-	-	(228)	(228)
Other comprehensive gain for the period	-	-	-	3,196	-	3,196
Total comprehensive (loss)/ income for the period	-	-	-	3,196	19,393	22,589
<b>Balance at 30 June 2019</b>	<b>330,939</b>	<b>12,718</b>	<b>12,718</b>	<b>(11,421)</b>	<b>(22,113)</b>	<b>322,841</b>
As at 1 January 2018	330,939	12,098	12,098	(8,381)	(37,408)	309,346
Profit for the period	-	-	-	-	9,025	9,025
Other comprehensive loss for the period	-	-	-	(3,128)	-	(3,128)
Total comprehensive (loss)/ income for the period	-	-	-	(3,128)	9,025	5,897
Balance at 30 June 2019	330,939	12,098	12,098	(11,509)	(28,383)	315,243

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 June 2019 (Unaudited)

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2019 AED '000</i>	<i>2018 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		19,621	9,025
Adjustment for:			
Depreciation and amortisation		2,956	1,352
Gain on disposal of investments at FVTPL		(693)	(306)
Unrealised loss on investments at FVTPL		(4,569)	13,706
Interest income		(4,309)	(1,840)
Dividend income		(3,001)	(3,148)
Interest on margin trading account		1,264	862
Provision for employees' end of service benefits		667	1,189
		<u>11,936</u>	<u>20,840</u>
(Decrease) / Increase in insurance and other receivables		(21,110)	38,508
(Decrease) / Increase in reinsurance contract assets		(44,550)	51,884
Increase / (Decrease) in insurance contract liabilities		31,777	(75,964)
Increase / (Decrease) in insurance and other payables		67,944	(1,635)
Employees' end of service benefits paid		(669)	(285)
		<u>45,328</u>	<u>33,348</u>
Net cash generated from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,243)	(1,669)
Proceeds from sale of property and equipment		-	3
Purchase of investments		(61,539)	(38,298)
Proceeds from disposal of investments at FVTPL		16,964	15,461
Proceeds from disposal of investments at FVTOCI		3,689	-
Interest received		4,309	1,840
Dividend received		3,001	3,148
Decrease in fixed deposit with banks with maturity greater than three months		10,368	25,842
		<u>(24,451)</u>	<u>6,327</u>
Net cash (used in) / from investing activities			
<b>FINANCING ACTIVITY</b>			
Interest on margin trading account		(1,264)	(862)
		<u>(1,264)</u>	<u>(862)</u>
Net cash used in financing activity			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		19,613	38,813
Cash and cash equivalents at 1 January		<u>21,526</u>	<u>13,834</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	6	<u><u>41,139</u></u>	<u><u>52,647</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 June 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 31 July 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 six months ended 30 June 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 June 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>
<b>Assets</b>	
Right-of-use assets	5,044
Insurance and other receivables	(579)
	<hr/>
Total assets	4,465
	<hr/>
<b>Liabilities</b>	
Interest-bearing loans and borrowings*	4,465
	<hr/>

\*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 June 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 June 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	(786)	-
Interest expense	-	336
Payments	-	(815)
	<hr/>	<hr/>
As at 30 June 2019	<u>4,258</u>	<u>3,986</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 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period (AED'000)	9,083	4,852	19,621	9,025
Weighted average number of shares outstanding during the period ('000)	330,939	330,939	330,939	330,939
	<hr/>	<hr/>	<hr/>	<hr/>
Earnings per share (AED)	<u>0.027</u>	<u>0.015</u>	<u>0.059</u>	<u>0.027</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.

### 4 INVESTMENT SECURITIES

	<i>30 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Financial assets at fair value through profit or loss	179,505	174,764
Financial assets at fair value through other comprehensive income	25,252	25,831
	<hr/>	<hr/>
	<u>204,757</u>	<u>200,595</u>

# Union Insurance Company P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 2019 (Unaudited)

### 4 INVESTMENT SECURITIES (continued)

#### 4.1 Investments at fair value through profit or loss

	<i>30 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Quoted equity securities in U.A.E.	78,258	74,480
Quoted equity securities outside U.A.E.	5,850	5,428
Quoted bond securities in U.A.E.	34,773	32,546
Quoted bond securities outside U.A.E.	47,172	49,007
Investment in funds outside U.A.E.	6,564	6,409
Unquoted equity securities outside U.A.E.	2,943	2,949
Unquoted equity securities in U.A.E.	3,945	3,945
	<u>179,505</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 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
<i>Equity securities</i>		
Quoted equity securities in U.A.E.	7,766	7,606
Fund securities outside U.A.E.	16,898	17,741
Quoted bond securities outside U.A.E.	288	184
Unquoted securities in U.A.E.	300	300
	<u>25,252</u>	<u>25,831</u>

### 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 June 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>
<b>Financial assets</b>				
FVTPL - financial assets	176,562	-	2,943	179,505
FVTOCI - financial assets	25,375	-	300	25,675
	<u>201,937</u>	<u>-</u>	<u>3,243</u>	<u>205,180</u>
<b>Non financial assets</b>				
Investment properties	-	-	75,195	75,195
	<u>201,937</u>	<u>-</u>	<u>78,438</u>	<u>280,375</u>

# Union Insurance Company P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 2019 (Unaudited)

### 4 INVESTMENT SECURITIES (continued)

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

##### FAIR VALUE HIERARCHY (continued)

<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>
<u>Financial assets</u>				
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>
<u>Non financial assets</u>				
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).

### 6 CASH AND BANK BALANCES

	<i>30 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>	<i>30 June 2018 AED'000</i>
Cash in hand	<u>52</u>	<u>83</u>	<u>83</u>
Bank balances:			
Current accounts	8,497	20,072	34,859
Fixed deposits	134,530	101,218	69,248
	<u>143,027</u>	<u>121,290</u>	<u>104,107</u>
Cash and bank balances	<u>143,079</u>	<u>121,373</u>	<u>104,190</u>
Less: Deposits with original maturities greater than three months	(88,179)	(93,535)	(38,187)
Less Bank overdraft	(13,761)	(6,312)	(13,356)
	<u>41,139</u>	<u>21,526</u>	<u>52,647</u>
Cash and cash equivalents	<u>41,139</u>	<u>21,526</u>	<u>52,647</u>
Bank balances:			
In U.A.E.	115,373	102,843	94,861
Outside UAE & G.C.C. countries	27,654	18,447	9,246
	<u>143,027</u>	<u>121,290</u>	<u>104,107</u>

Fixed deposit carried interest ranging from 1% to 8.5% per annum (2018: 1% to 8% per annum). Fixed deposits of AED 49 million (2018: AED 62 million) have been pledged as security against the overdraft facility.

# Union Insurance Company P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 2019 (Unaudited)

### 7 SHARE CAPITAL

	<i>30 June 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 June 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.

### 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 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Premium receivable (included in due from policyholders)	26,898	25,914
Gross outstanding claims (included in claims reported unsettled)	1,623	752
Investment properties	<u>75,195</u>	<u>75,195</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.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 2019 (Unaudited)

### 9 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Six months ended 30 June</i>	
	<i>2019 AED'000</i>	<i>2018 AED'000</i>
Premiums written	1,627	1,183
Claims paid	669	786

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

Compensation of key management personnel		
Short-term benefits	2,220	1,200
Long-term benefits	165	70

### 10 CONTINGENT LIABILITIES

	<i>30 June 2019 AED'000</i>	<i>31 December 2018 AED'000 (Audited)</i>
Letters of guarantee*	36,071	33,138

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

### 11 CAPITAL COMMITMENTS

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

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 June 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	31,183	54,847
Change in reserve	13,771	(25,155)
	<u>208,072</u>	<u>163,118</u>

## Union Insurance Company P.J.S.C.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 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.

##### *Six month period ended 30 June*

	General insurance		Life assurance		Total	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
<b>UNDERWRITING INCOME</b>						
Gross written premium	340,047	352,323	142,118	127,832	482,165	480,155
Reinsurance ceded	(201,798)	(184,265)	(71,213)	(65,564)	(273,011)	(249,829)
Net retained premium	138,249	168,058	70,905	62,268	209,154	230,326
Net change in unearned premium and policyholders' reserve	8,363	10,864	(33,477)	(4,479)	(25,114)	6,385
Net earned premium	146,612	178,922	37,428	57,789	184,040	236,711
Gross commission earned	32,361	31,828	22,295	564	54,656	32,392
<b>Total underwriting income</b>	<b>178,973</b>	<b>210,750</b>	<b>59,723</b>	<b>58,353</b>	<b>238,696</b>	<b>269,103</b>
<b>UNDERWRITING EXPENSES</b>						
Net claims incurred	(91,114)	(121,548)	(3,885)	(2,449)	(94,999)	(123,997)
Commission incurred	(28,756)	(29,266)	(38,806)	(13,675)	(67,562)	(42,941)
Administrative expenses	(28,882)	(25,897)	(10,902)	(11,713)	(39,784)	(37,610)
Other operational costs related to underwriting activities	(23,527)	(24,824)	(10,142)	(7,893)	(33,669)	(32,717)
Net movement in fair value of investment held for unit linked products	-	-	13,771	(5,580)	13,771	(5,580)
<b>Total underwriting expenses</b>	<b>(172,279)</b>	<b>(201,535)</b>	<b>(49,964)</b>	<b>(41,310)</b>	<b>(222,243)</b>	<b>(242,845)</b>
<b>Total underwriting profit</b>	<b>6,694</b>	<b>9,215</b>	<b>9,759</b>	<b>17,043</b>	<b>16,453</b>	<b>26,258</b>
Net investment Profit/ (loss)						
General and administrative expenses					10,794	(9,822)
					(7,626)	(7,411)
<b>Profit for the period</b>					<b>19,621</b>	<b>9,025</b>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 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 June 2019	31 December 2018	30 June 2019	30 June 2019	31 December 2018	30 June 2019	31 December 2018	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	
<b>ASSETS</b>								
Property and equipment	76,330	79,467	25,444	26,490	101,774	105,957		
Right-of-use assets	3,193	-	1,065	-	4,258	-		
Intangible assets	7,267	4,825	2,422	1,608	9,689	6,433		
Investment properties	56,396	56,396	18,799	18,799	75,195	75,195		
Investments securities	133,794	131,430	70,963	69,165	204,757	200,595		
Investments held on behalf of policyholders' unit linked products	-	-	208,072	163,118	208,072	163,118		
Development work in progress	-	-	-	-	-	-		
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000		
Reinsurance contract assets	435,180	438,577	82,917	34,970	518,097	473,547		
Insurance and other receivables	364,930	378,152	155,436	121,104	520,366	499,256		
Cash and bank balances	86,569	77,194	56,510	44,179	143,079	121,373		
<b>Total assets</b>	<b>1,169,659</b>	<b>1,172,041</b>	<b>625,628</b>	<b>483,433</b>	<b>1,795,287</b>	<b>1,655,474</b>		
<b>LIABILITIES</b>								
Due to Banks	13,761	6,312	-	-	13,761	6,312		
Insurance contract liabilities	689,391	707,050	99,140	49,704	788,531	756,754		
Insurance and other payables	325,985	329,781	128,525	91,683	454,510	421,464		
Provision for employees' end of service benefits	5,679	5,680	1,893	1,894	7,572	7,574		
Payable to policyholders of unit linked products	-	-	208,072	163,118	208,072	163,118		
<b>Total liabilities</b>	<b>1,034,816</b>	<b>1,048,823</b>	<b>437,630</b>	<b>306,399</b>	<b>1,472,446</b>	<b>1,355,222</b>		

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
At 30 June 2019 (Unaudited)

13 SEGMENT INFORMATION (continued)

*Operating segment information (continued)*

	General insurance		Life assurance		Total	
	30 June 2019 AED'000	31 December 2018 AED'000	30 June 2019 AED'000	31 December 2018 AED'000	30 June 2019 AED'000	31 December 2018 AED'000
<b>EQUITY</b>						
Share capital			330,939	330,939	330,939	330,939
Statutory reserve			12,718	12,718	12,718	12,718
Special reserve			12,718	12,718	12,718	12,718
Fair value reserve			(11,421)	(14,617)	(11,421)	(14,617)
Accumulated losses			(22,113)	(41,506)	(22,113)	(41,506)
<b>Total equity</b>			<b>322,841</b>	<b>300,252</b>	<b>322,841</b>	<b>300,252</b>
<b>Total liabilities and equity</b>			<b>1,795,287</b>	<b>1,655,474</b>	<b>1,795,287</b>	<b>1,655,474</b>

# Union Insurance Company P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 June 2019 (Unaudited)

### 14 SEASONALITY OF RESULTS

Dividend income amounted to AED 3,001 thousand and AED 3,148 thousand for the six-month periods ended 30 June 2019 and 30 June 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 June 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>
<b>2017</b>			
<b>Statement of financial position</b>			
<b>Assets</b>			
Recoverable from reinsurer towards policyholders' of unit-linked products	-	13,083	13,083
<b>Liabilities</b>			
Payable to policyholders' of unit-linked products	150,035*	13,083	163,118

\*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.