

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

**Review report and condensed interim financial information for  
the nine month period ended 30 September 2021**

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

**Review report and condensed interim financial information  
for the nine month period ended 30 September 2021**

	<b>Page</b>
<b>Review report on condensed interim financial information</b>	<b>1</b>
<b>Condensed interim statement of income</b>	<b>2</b>
<b>Condensed interim statement of comprehensive income</b>	<b>3</b>
<b>Condensed interim statement of financial position</b>	<b>4</b>
<b>Condensed interim statement of changes in equity</b>	<b>5</b>
<b>Condensed interim statement of cash flows</b>	<b>6</b>
<b>Notes to the condensed interim financial information</b>	<b>7 - 35</b>



## Review report on condensed interim financial information to the Board of Directors of Union Insurance Company P.J.S.C.

---

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Union Insurance Company P.J.S.C. (the "Company") as at 30 September 2021 and the related condensed interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the condensed interim statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' ("IAS 34"). 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 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 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers  
16 December 2021

Douglas O'Mahony  
Registered Auditor Number: 834  
Place: Dubai, United Arab Emirates

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

## CONDENSED INTERIM STATEMENT OF INCOME

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2021 (Unaudited) AED '000	2020 (Unaudited) (Restated) AED '000	2021 (Unaudited) AED '000	2020 (Unaudited) (Restated) AED '000
<b>UNDERWRITING INCOME</b>					
Gross written premium	21	220,252	193,058	721,178	665,798
Reinsurance premiums ceded	21	(148,484)	(76,296)	(418,791)	(349,682)
		<u>71,768</u>	<u>116,762</u>	<u>302,387</u>	<u>316,116</u>
Net change in unearned premium, mathematical reserve and policyholders' reserve	21	(8,963)	(23,144)	(92,516)	(62,483)
Net earned premium	21	62,805	93,618	209,871	253,633
Gross commission earned		27,797	14,013	77,667	59,330
<b>Total underwriting income</b>		<u>90,602</u>	<u>107,631</u>	<u>287,538</u>	<u>312,963</u>
<b>UNDERWRITING EXPENSES</b>					
Gross claims incurred	13.2	(225,342)	(85,634)	(394,950)	(237,918)
Insurance claims recovered from reinsurers	13.2	188,706	49,815	290,994	141,314
<b>Net claims incurred</b>	13.2	<u>(36,636)</u>	<u>(35,819)</u>	<u>(103,956)</u>	<u>(96,604)</u>
Commission incurred	15.2	(23,738)	(27,134)	(69,550)	(79,800)
Administrative expenses	18	(21,719)	(24,788)	(66,241)	(72,554)
Other operational expenses related to underwriting activities	19	(13,258)	(8,579)	(34,166)	(34,443)
Net movement in reserve of unit linked products	12	9,280	(11,170)	12,657	(10,782)
<b>Total underwriting expenses</b>		<u>(86,071)</u>	<u>(107,490)</u>	<u>(261,256)</u>	<u>(294,183)</u>
<b>UNDERWRITING PROFIT</b>		<u>4,531</u>	<u>141</u>	<u>26,282</u>	<u>18,780</u>
Interest income	20	1,490	1,948	4,927	6,004
Other investment income / (loss)	20	(3,672)	7,372	(2,246)	(17,369)
Net investment income /(loss)	20	(2,182)	9,320	2,681	(11,365)
Provision for impairment	15.1	(3,253)	(2,000)	(3,257)	(6,008)
Board of directors' remuneration	9	-	-	(2,800)	(3,375)
<b>PROFIT/ (LOSS) FOR THE PERIOD</b>		<u>(904)</u>	<u>7,461</u>	<u>22,906</u>	<u>(1,968)</u>
Basic and diluted earnings/ (loss) per share (AED)	3	<u>(0.003)</u>	<u>0.023</u>	<u>0.069</u>	<u>(0.006)</u>

The attached explanatory notes 1 to 25 form an integral part of this condensed interim financial information.

Union Insurance Company P.J.S.C.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2021 (Unaudited) AED '000	2020 (Unaudited) (Restated) AED '000	2021 (Unaudited) AED '000	2020 (Unaudited) (Restated) AED '000
(Loss)/ profit for the period	<u>(904)</u>	<u>7,461</u>	<u>22,906</u>	<u>(1,968)</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>				
Net realised gain on disposal of investments held at fair value through other comprehensive income	-	-	-	(165)
Net change in fair value of investments held at fair value through other comprehensive income	<u>(404)</u>	<u>709</u>	<u>(432)</u>	<u>(3,297)</u>
<b>Other comprehensive income / (loss) for the period</b>	<u>(404)</u>	<u>709</u>	<u>(432)</u>	<u>(3,462)</u>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<u><u>(1,308)</u></u>	<u><u>8,170</u></u>	<u><u>22,474</u></u>	<u><u>(5,430)</u></u>


The attached explanatory notes 1 to 25 form an integral part of this condensed interim financial information.

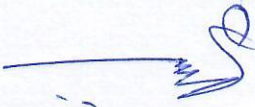
# Union Insurance Company P.J.S.C.

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2021 AED '000 (Unaudited)	As at 31 December 2020 AED '000 (Audited) (Restated)	As at 1 January 2020 AED '000 (Audited) (Restated)
<b>ASSETS</b>				
Property and equipment	11	72,439	79,921	78,750
Intangible assets	16	15,870	16,761	23,337
Statutory deposit	5	10,000	10,000	10,000
Right-of-use assets		1,551	3,599	7,680
Bank deposits with original maturities of more than three months	6.2	220,278	220,343	136,528
Investment securities	4	102,286	113,271	184,961
Unit linked assets	4.3	360,188	286,798	192,438
Reinsurance contract assets	13.1	684,071	488,265	538,808
Insurance and other receivables	15	421,959	402,127	473,786
Cash and cash equivalents	6.1	20,839	5,142	20,059
<b>Total assets</b>		<b>1,909,481</b>	<b>1,626,227</b>	<b>1,666,347</b>
<b>Liabilities and equity</b>				
<b>LIABILITIES</b>				
Provision for employees' end of service benefits		12,258	10,962	8,618
Insurance contract liabilities	13.1	976,376	747,958	793,539
Insurance and other payables	17	314,424	357,881	440,558
Payables to policy holders' of unit-linked products	12	360,188	286,798	192,438
Bank overdraft	6.1	1,717	584	3,382
<b>Total liabilities</b>		<b>1,664,963</b>	<b>1,404,183</b>	<b>1,438,535</b>
<b>EQUITY</b>				
Share capital	7	330,939	330,939	330,939
Statutory reserve	8.1	14,865	14,865	14,865
Special reserve	8.2	14,865	14,865	14,865
Reinsurance reserve	8.4	4,360	2,266	-
Fair value reserve	8.3	(11,706)	(11,274)	(10,268)
Accumulated losses		(108,805)	(129,617)	(122,589)
<b>Total equity</b>		<b>244,518</b>	<b>222,044</b>	<b>227,812</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,909,481</b>	<b>1,626,227</b>	<b>1,666,347</b>

This condensed interim financial information was approved for issue by the Board of Directors on 16 December 2021 and signed on their behalf by:

  
Nasser Rashid Abdulaziz Almoalla  
Chairman

  
Abdul Mutaleb M H M Aljaede  
Chief Executive Officer

Union Insurance Company P.J.S.C.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						Total equity AED'000
	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Reinsurance reserve AED'000	Fair value Reserve AED'000	Accumulated Losses AED'000	
	<b>Balance at 1 January 2021 (Audited) (Restated)</b>	330,939	14,865	14,865	2,266	(11,274)	
Profit for the period	-	-	-	-	-	22,906	22,906
Other comprehensive loss for the period	-	-	-	-	(432)	-	(432)
Total comprehensive (loss) / income for the period	-	-	-	-	(432)	22,906	22,474
Transfer to reinsurance reserve	-	-	-	2,094	-	(2,094)	-
<b>Balance at 30 September 2021 (Unaudited)</b>	<b>330,939</b>	<b>14,865</b>	<b>14,865</b>	<b>4,360</b>	<b>(11,706)</b>	<b>(108,805)</b>	<b>244,518</b>
<b>Balance at 1 January 2020 (Audited) (Restated)</b>	330,939	14,865	14,865	-	(10,268)	(122,589)	227,812
Loss for the period	-	-	-	-	-	(1,968)	(1,968)
Net realised gain on disposal of investments held at fair value through other comprehensive income	-	-	-	-	(165)	-	(165)
Net change in fair value of investments held at fair value through other comprehensive income	-	-	-	-	(3,297)	-	(3,297)
Other comprehensive loss for the period	-	-	-	-	(3,462)	-	(3,462)
Total comprehensive loss for the period	-	-	-	-	(3,462)	(1,968)	(5,430)
<b>Balance at 30 September 2020 (Unaudited) (Restated)</b>	<b>330,939</b>	<b>14,865</b>	<b>14,865</b>	<b>-</b>	<b>(13,730)</b>	<b>(124,557)</b>	<b>222,382</b>

The attached explanatory notes 1 to 25 form an integral part of this condensed interim financial information.

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

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

		For the nine month period ended 30 September	
		2021	2020
		AED '000	AED '000
		(Unaudited)	(Unaudited) (Restated)
Notes			
<b>OPERATING ACTIVITIES</b>			
	Profit / (loss) for the period	22,906	(1,968)
	Adjustment for:		
	Depreciation and amortisation	8,269	9,176
	Gain on disposal of investments at FVTPL	(569)	(610)
	Unrealised loss on investments at FVTPL	2,323	17,624
	Provision for impairment	3,257	6,008
	Interest income	(4,927)	(6,004)
	Dividend income	(495)	(693)
	Gain on sale of property and equipment	(27)	-
	Interest on lease liabilities	98	279
	Interest on margin trading account	-	221
	Provision for employees' end of service benefits	3,538	2,433
		<b>34,373</b>	<b>26,466</b>
	(Increase) /decrease in insurance and other receivables	(23,089)	28,720
	(Increase) /decrease in reinsurance contract assets	(195,806)	28,084
	Increase / (decrease) in insurance contract liabilities	228,418	(9,065)
	Decrease in insurance and other payables	(38,419)	(61,823)
	Increase in unit linked assets	(73,390)	(54,014)
	Increase in unit linked liabilities	73,390	54,014
	Employees' end of service benefits paid	(2,242)	(769)
	<b>Net cash generated from operating activities</b>	<b>3,235</b>	<b>11,613</b>
<b>INVESTING ACTIVITIES</b>			
	Purchase of property and equipment	(980)	(1,918)
	Purchase of intangibles	-	-
	Proceeds from sale of property and equipment	27	-
	Purchase of investments held at FVTPL (excluding unit linked investments)	(4,910)	(6,915)
	Proceeds from disposal of investments held at FVTPL (excluding unit linked investments)	13,709	49,032
	Proceeds from disposal of investments held at FVTOCI	-	6,974
	Interest received	3,714	4,971
	Dividend received	495	693
	(Increase) / decrease fixed deposits with banks with original maturities greater than three months	1,278	(69,301)
	<b>Net cash generated from / (used in) investing activities</b>	<b>13,333</b>	<b>(16,464)</b>
<b>FINANCING ACTIVITIES</b>			
	Payment of principal portion of lease liabilities	(1,906)	(2,992)
	Interest paid on lease liabilities	(98)	(279)
	Interest on margin trading account	-	(221)
	<b>Net cash used in financing activities</b>	<b>(2,004)</b>	<b>(3,492)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>14,564</b>	<b>(8,343)</b>
	Cash and cash equivalents at 1 January	6.1 <u>4,558</u>	<u>16,677</u>
	<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	6.1 <u><b>19,122</b></u>	<u><b>8,334</b></u>

During the nine month period ended 30 September 2021, the principal non cash transaction relate to transfer towards addition to intangible assets from capital work in progress amounting to AED 4,199 thousand. (30 September 2020: Nil)

The attached explanatory notes 1 to 25 form an integral part of this condensed interim financial information.



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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

### 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 Government of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, 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 Company's ordinary shares are listed on the Abu Dhabi Securities Exchange ("ADX").

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

Federal Decree Law No. (26) of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021, however, some of the amended articles refer to further executive regulations to be issued. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the United Arab Emirates ("CBUAE").

The condensed interim financial information were approved and authorised for issue in accordance with a resolution of the Board of Directors on 16 December 2021.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The condensed interim financial information of the Company for the nine month period ended 30 September 2021 has been prepared in accordance with International Accounting Standard 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.

The condensed interim financial information is presented in Arab Emirates Dirham ("AED") and all values are rounded to nearest thousand ("AED'000") except when otherwise indicated.

This condensed interim financial information does 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 2020. In addition, results for the nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current). However, the following balances would generally be classified as current: cash and cash equivalents and bank overdraft. The following balances would generally be classified as non-current: property and equipment, right of use assets, intangible assets and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): investment securities, investments held on behalf of policyholders' unit linked products, reinsurance contract assets, bank deposits with banks with original maturities of more than three months, insurance and other receivables, insurance contract liabilities, insurance and other payables, payables to policyholders of unit linked products and provision for employees' end of service benefits.

The condensed interim financial information has been prepared on the historical cost basis except for the financial assets held at fair value through profit or loss ("FVTPL"), financial assets held at fair value through other comprehensive income ("FVTOCI") and investment for policyholders (excluding cash held for policyholders).

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the annual audited financial statements for the year end 31 December 2020 except as indicated in note 24 “Prior period adjustments and comparative information”.

**2.2 Critical accounting judgements and key sources of estimation of uncertainty**

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

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020.

**2.3 Application of new and revised International Financial Reporting Standards (“IFRS”)**

**2.3.a New and revised IFRSs and interpretations applied on the condensed interim financial information**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in this condensed interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

**Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions (Effective date 1 June 2020)** - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**2.3.b New and revised IFRS issued but not yet effective and not early adopted**

**Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions Extension of the practical expedient (Effective date 1 April 2021)** - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (Effective date 1 January 2022)** - Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

**2.3 Application of new and revised International Financial Reporting Standards (“IFRS”)** (continued)

**2.3.b New and revised IFRS issued but not yet effective and not early adopted** (continued)

**Amendments to IAS 1, ‘Presentation of financial statements’ – Classification of liabilities as current or non-current (Effective date 1 January 2022)** - These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (Effective date 1 January 2023)** - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

**IFRS 17, ‘Insurance contracts’ (Effective date 1 January 2023)** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, ‘Insurance Contracts’. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, ‘Revenue from contracts with customers’ and IFRS 9, ‘Financial instruments’ are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

**Amendments to IFRS 17, ‘Insurance Contracts’ (Effective date 1 January 2023)** - The IASB issued the amendments to IFRS 17, ‘Insurance contracts’, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB’s targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

On 28 October 2021, the IASB (‘Board’) redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, ‘Financial Instruments’, and IFRS 17, ‘Insurance Contracts’, considering the feedback from the comment letters received.

The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.

Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in its financial statements in respect of its insurance contracts issued and reinsurance contracts held.

However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review post the design phase of implementation which is in progress.

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

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

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

#### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

##### 2.3 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company’s financial year beginning on or after 1 January 2021 that would be expected to have a material impact on this condensed interim financial information.

#### 3 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
Profit/ (loss) for the period (AED’000)	(904)	7,461	22,906	(1,968)
Weighted average number of shares outstanding during the period (’000)	330,939	330,939	330,939	330,939
Earnings/ (loss) per share (AED)	<u>(0.003)</u>	<u>0.023</u>	<u>0.069</u>	<u>(0.006)</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, as such diluted earnings per share is equivalent to basic earnings per share.

#### 4 INVESTMENT SECURITIES

	As at 30 September 2021 AED’000 (Unaudited)	As at 31 December 2020 AED’000 (Audited)
Financial assets at fair value through profit or loss (Note 4.1)	95,831	106,384
Financial assets at fair value through other comprehensive income (Note 4.2)	6,455	6,887
	<u>102,286</u>	<u>113,271</u>
Unit linked assets (Note 4.3)	<u>360,188</u>	<u>286,798</u>

##### 4.1 Financial assets at fair value through profit or loss

	As at 30 September 2021 AED’000 (Unaudited)	As at 31 December 2020 AED’000 (Audited)
Quoted equity securities in U.A.E.	69,666	71,287
Quoted equity securities outside U.A.E.	751	500
Quoted bonds in U.A.E.	18,797	22,118
Investment in funds outside U.A.E.	-	5,083
Unquoted equity securities outside U.A.E.	2,969	2,937
Unquoted securities in U.A.E.	3,648	4,459
	<u>95,831</u>	<u>106,384</u>

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 4 INVESTMENT SECURITIES (continued)

#### 4.2 Investments at fair value through other comprehensive income

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited)
Quoted equity securities in U.A.E.	6,155	6,587
Unquoted securities in U.A.E.	300	300
	<u>6,455</u>	<u>6,887</u>

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

#### 4.3 Unit linked assets

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	224,786	175,590
Financial assets from reinsurer towards policyholders of unit-linked products carried at FVTPL	121,137	88,984
Cash held on behalf of policyholders at amortised cost	14,265	22,224
	<u>360,188</u>	<u>286,798</u>

#### 4.4 Movement in the financial investments

	FVTPL AED'000	FVTOCI AED'000	Total AED'000
At 1 January 2020 (Audited)	159,084	25,877	184,961
Purchases	17,615	-	17,615
Disposals	(60,095)	(17,158)	(77,253)
Maturities	(1,835)	-	(1,835)
Movement in accrued interest	59	-	59
Changes in fair value	(9,865)	(1,006)	(10,871)
Realised gain/(loss)	1,421	(826)	595
As at 31 December 2020 (Audited)	<u>106,384</u>	<u>6,887</u>	<u>113,271</u>
<b>Purchases</b>	<b>4,910</b>	<b>-</b>	<b>4,910</b>
<b>Disposals</b>	<b>(10,773)</b>	<b>-</b>	<b>(10,773)</b>
<b>Maturities</b>	<b>(2,936)</b>	<b>-</b>	<b>(2,936)</b>
<b>Movement in accrued interest</b>	<b>66</b>	<b>-</b>	<b>66</b>
<b>Changes in fair value</b>	<b>(2,389)</b>	<b>(432)</b>	<b>(2,821)</b>
<b>Realised gain</b>	<b>569</b>	<b>-</b>	<b>569</b>
As at 30 September 2021 (Unaudited)	<u>95,831</u>	<u>6,455</u>	<u>102,286</u>

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

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

#### 4 INVESTMENT SECURITIES (continued)

##### Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI and FVTPL.

	FVTPL AED'000	FVOCI AED'000	Total AED'000
At 1 January 2020 (Audited)	6,899	300	7,199
Changes in fair value	497	-	497
As at 31 December 2020 (Audited)	<b>7,396</b>	<b>300</b>	<b>7,696</b>
<b>Disposals</b>	<b>(754)</b>	<b>-</b>	<b>(754)</b>
<b>Changes in fair value</b>	<b>(25)</b>	<b>-</b>	<b>(25)</b>
As at 30 September 2021 (Unaudited)	<b>6,617</b>	<b>300</b>	<b>6,917</b>

#### 4.5 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

##### 4.5.a Fair value of financial instruments carried at amortised cost

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

##### 4.5.b Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2020.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

4 INVESTMENT SECURITIES (continued)

4.5.c Fair value of the Group's financial assets that are measured at fair value on recurring basis

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

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited) (Restated)				
<b>Financial assets measured at FVTPL</b>						
Quoted equity investments	70,417	71,787	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted bonds investments	18,797	22,118	Level 2	Quoted prices in secondary market	None	Not applicable
Unquoted equity investments	6,617	7,396	Level 3	Based on net assets value of underlying investments and last traded price in 2021	Yes	Net asset value
Investment in funds outside U.A.E.	-	5,083	Level 2	Quoted prices in secondary market	None	Not applicable
Investments held on behalf of policyholders of unit linked products at FVTPL (Note 4.3)	345,923	264,574	Level 2	Quoted prices in secondary market	None	Not applicable
<b>Financial assets measured at FVTOCI</b>						
Quoted equity investments	6,155	6,587	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity investments	300	300	Level 3	Net assets value	Yes	Net asset value

There were no transfers between levels or categories during the period. There are no financial liabilities which should be categorised under any of the levels in the above table.

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

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

#### 5 STATUTORY DEPOSIT

The statutory deposit is required to be placed by insurance companies operating in U.A.E. with the designated national banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the CBUAE (formerly, the IA) in accordance with Article 42 of Federal Law No. 6 of 2007, as amended.

#### 6 CASH AND BANK BALANCES

##### 6.1 Cash and cash equivalents

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)	As at 30 September 2020 AED'000 (Unaudited) (Restated)
Cash in hand	50	50	50
Bank balances:			
Current accounts with banks	12,864	2,560	9,333
Bank deposits with original maturities of three months or less	7,925	2,532	2,529
Cash and cash equivalents	20,839	5,142	11,912
Less: Bank overdraft	(1,717)	(584)	(3,578)
Cash and cash equivalents for the purpose of condensed interim statement of cash flows	19,122	4,558	8,334
In U.A.E.	19,180	3,870	7,646
Outside U.A.E.	(58)	688	688
	19,122	4,558	8,334

Bank deposits carried interest ranging from 0.18% (31 December 2020: 0.42%) per annum.

##### 6.2 Bank deposits with original maturities of more than three months

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
Deposits with original maturities greater than three months	220,278	220,343
Deposit balances:		
In U.A.E.	186,733	188,635
Outside U.A.E.	33,545	31,708
	220,278	220,343

Bank deposits carried interest ranging from 0.3% to 8.5% per annum (31 December 2020: 0.68% to 8.5% per annum). Bank deposits of AED 15 million (31 December 2020: AED 21 million) have been pledged as security against the overdraft facility.



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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 7 SHARE CAPITAL

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (31 December 2020: 330,939,180 share of AED 1 each)	<u>330,939</u>	<u>330,939</u>

### 8 RESERVES

#### NATURE AND PURPOSE OF RESERVES

#### 8.1 Statutory reserve

In accordance with the UAE Commercial Companies Law and the Company's Article of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. The Company transfers 10% of the profits for each year to the statutory reserve. Accordingly, no transfers have been made during the nine months period ended 30 September 2021. There were no transfers to statutory reserves as at 31 December 2020 because the Company incurred losses as at 31 December 2020. The reserve is not available for distribution except in the circumstances stipulated by the law.

#### 8.2 Special reserve

In accordance with the Company's Articles of Association, the Board of Directors may transfer 10% of annual net profits, if any, to a special reserve until an Ordinary General Meeting upon a proposal suspends it. The special reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors. No transfers were made during the nine months period ended 30 September 2021 and the year ended 31 December 2020.

#### 8.3 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.

#### 8.4 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 2,094 thousand from accumulated losses to the Reinsurance Reserve being 0.5% of the total insurance premium ceded to reinsurers during the nine month period ended 30 September 2021 (year ended 31 December 2020: AED 2,266 thousand). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE (formerly, the UAE Insurance Authority ("IA)).

### 9 RELATED PARTY BALANCES AND TRANSACTIONS

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 - (Revised). Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

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

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited)
<b><i>Balances with former major shareholder</i></b>		
Premium receivable (Note 15)	26,822	26,173
Allowance for doubtful receivables (Note 15)	<u>(26,822)</u>	<u>(26,173)</u>
Net insurance and other receivables	<u>-</u>	<u>-</u>
Gross outstanding claims (included in claims reported unsettled)	432	3,130
Investment properties reclassified to "Advance paid for purchase of real estate properties"	72,270	72,270
Reversal of net fair value gains recorded in prior periods	<u>(35,770)</u>	<u>(35,770)</u>
Advance paid for purchase of real estate properties (Note 15)*	36,500	36,500
Provision on advance paid for purchase of real estate properties (Note 15)*	<u>(36,500)</u>	<u>(36,500)</u>
	<u>-</u>	<u>-</u>

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

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

#### 9 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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.

\* The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financials for the year ended 31 December 2020. The said asset represent a purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential-unit in a single building and a plot of land of 150,000 Square Feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction from the former Chairman who was also the representative of the related party. The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said asset. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

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

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
<b>Transactions with former major shareholder</b>				
Premiums written	6	389	1,083	1,734
Claims paid	(89)	(272)	(665)	(784)

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

#### Compensation of key management personnel

Short-term benefits	(1,472)	(975)	(4,416)	(2,925)
Long-term benefits	(50)	(50)	(150)	(150)

#### Directors' remuneration

Directors' remuneration	-	-	(2,800)	(3,375)
Board committee fees	-	-	-	(600)

#### 10 CONTINGENT LIABILITIES

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited)
Letters of guarantee*	15,014	21,121

\*Includes AED 10 million (31 December 2020: AED 10 million) issued in favour of the Central Bank of the UAE (formerly, the "Insurance Authority of U.A.E").

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 11 PROPERTY AND EQUIPMENT

	<b>As at 30 September 2021 AED'000 (Unaudited)</b>	As at 31 December 2020 AED'000 (Audited) (Restated)
Operating assets (Note 11.1)	<b>67,710</b>	67,860
Capital work in progress	<b>4,729</b>	12,061
<b>Property and equipment</b>	<b>72,439</b>	<b>79,921</b>

#### 11.1 Operating assets

	Freehold land AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total operating assets AED'000
<u>Cost:</u>						
At 1 January 2020 (Audited) (Restated)	61,067	15,686	2,670	872	9,325	89,620
Additions	-	540	55	-	373	968
<b>At 31 December 2020 (Audited) (Restated)</b>	<b>61,067</b>	<b>16,226</b>	<b>2,725</b>	<b>872</b>	<b>9,698</b>	<b>90,588</b>
Additions	-	727	77	-	176	980
Disposals	-	-	-	(50)	-	(50)
<b>At 30 September 2021 (Unaudited)</b>	<b>61,067</b>	<b>16,953</b>	<b>2,802</b>	<b>822</b>	<b>9,874</b>	<b>91,518</b>
<u>Depreciation and amortisation</u>						
At 1 January 2020 (Audited)	-	9,798	2,446	464	8,546	21,254
Charge for the year	-	913	100	149	312	1,474
<b>At 31 December 2020 (Audited)</b>	<b>-</b>	<b>10,711</b>	<b>2,546</b>	<b>613</b>	<b>8,858</b>	<b>22,728</b>
Charge for the period	-	715	62	105	248	1,130
Disposals	-	-	-	(50)	-	(50)
<b>At 30 September 2021 (Unaudited)</b>	<b>-</b>	<b>11,426</b>	<b>2,608</b>	<b>668</b>	<b>9,106</b>	<b>23,808</b>
<u>Carrying amounts:</u>						
At 31 December 2020 (Audited) (Restated)	<b>61,067</b>	<b>5,515</b>	<b>179</b>	<b>259</b>	<b>840</b>	<b>67,860</b>
<b>At 30 September 2021 (Unaudited)</b>	<b>61,067</b>	<b>5,527</b>	<b>194</b>	<b>154</b>	<b>768</b>	<b>67,710</b>

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

### 12 PAYABLES TO POLICYHOLDERS OF UNIT LINKED PRODUCTS

The Company issued unit linked policies which have both risk and investment components. The investment portion is invested on behalf of the policyholders as disclosed in note 4.3 of this condensed interim financial information.

*Movement during the period / year:*

	<b>As at 30 September 2021 AED'000 (Unaudited)</b>	As at 31 December 2020 AED'000 (Audited) (Restated)
As at 1 January	<b>286,798</b>	192,438
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	<b>60,733</b>	92,995
Change in fair value of the unit linked products	<b>12,657</b>	1,365
	<b>360,188</b>	<b>286,798</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

#### 13.1 Summary of the Actuary's report on the Technical Provisions

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
<b>Gross insurance contract liabilities</b>		
Claims reported unsettled	414,585	245,666
Claims incurred but not reported	94,964	117,418
Unallocated loss adjustment expense reserve	6,491	4,095
Unexpired risk reserve	5,170	2,181
Third party recoveries	3,674	3,620
Mathematical reserve	131,013	107,721
Unearned premiums	300,174	245,387
Provision for default claims and refunds	20,305	21,870
<b>Gross insurance contract liabilities</b>	<b>976,376</b>	<b>747,958</b>
<b>Reinsurance contract assets</b>		
Claims reported unsettled	(347,638)	(188,746)
Claims incurred but not reported	(59,159)	(71,603)
Unexpired risk reserve	7,372	7,804
Third party recoveries	(8,555)	(10,212)
Mathematical reserve	(113,519)	(92,932)
Unearned premiums	(162,572)	(132,576)
<b>Total reinsurance contract assets</b>	<b>(684,071)</b>	<b>(488,265)</b>
<b>Net</b>		
Claims reported unsettled	66,947	56,920
Claims incurred but not reported	35,805	45,815
Unallocated loss adjustment expense reserve	6,491	4,095
Unexpired risk reserve	12,542	9,985
Third party recoveries	(4,881)	(6,592)
Mathematical reserve	17,494	14,789
Unearned premiums	137,602	112,811
Provision for default claims and refunds	20,305	21,870
<b>Net insurance contract liabilities</b>	<b>292,305</b>	<b>259,693</b>

The gross and net insurance contract liabilities of AED 932,665 thousand and AED 270,901 thousand respectively as at 30 September 2021 (31 December 2020: AED 726,088 thousand and AED 237,823 thousand respectively) were certified by the Company's external appointed actuary. The difference in actuarial certification and the above amounts is on account of provision for default claims and refunds, third party recoveries against outstanding claims and paid claims. The actuarial valuation methodologies used in this condensed interim financial information are consistent with those used in the audited annual financial statement for the year ended 31 December 2020.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.2 Gross and net claims incurred

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
<b>Gross claims incurred</b>				
Claims settled in the period	(70,950)	(89,806)	(243,046)	(247,237)
Movement in claims reported unsettled	(161,402)	(812)	(168,919)	6,216
Movement in claims incurred but not reported	9,344	1,221	22,454	4,115
Movement in unallocated loss adjustment expense reserve	(2,523)	83	(2,396)	163
Movement in unexpired risk reserve	323	3,324	(2,989)	(1,610)
Movement in third party recoveries	(134)	356	(54)	435
	<b>(225,342)</b>	<b>(85,634)</b>	<b>(394,950)</b>	<b>(237,918)</b>
<b>Insurance claims recovered from reinsurers</b>				
Reinsurance share of claims settled in the period	39,258	62,519	145,771	163,586
Movement in reinsurance share of claims reported unsettled	153,961	(12,821)	158,892	(21,938)
Movement in reinsurance share of claims incurred but not reported	(4,106)	1,226	(12,444)	5,228
Movement in reinsurance share of unexpired risk reserve	(300)	323	432	(404)
Movement in reinsurance share of third party recoveries	(107)	(1,432)	(1,657)	(5,158)
	<b>188,706</b>	<b>49,815</b>	<b>290,994</b>	<b>141,314</b>
<b>Net claims incurred</b>	<b>(36,636)</b>	<b>(35,819)</b>	<b>(103,956)</b>	<b>(96,604)</b>

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

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

#### 14 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.

##### *For the nine month period ended 30 September*

	General insurance		Life assurance		Total	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
<b>UNDERWRITING INCOME</b>						
Gross written premium	534,575	458,773	186,603	207,025	721,178	665,798
Reinsurance premiums ceded	(320,809)	(273,696)	(97,982)	(75,986)	(418,791)	(349,682)
Net retained premium	213,766	185,077	88,621	131,039	302,387	316,116
Net change in unearned premium and policyholders' reserve	(24,559)	(6,402)	(67,957)	(56,081)	(92,516)	(62,483)
Net earned premium	189,207	178,675	20,664	74,958	209,871	253,633
Gross commission earned	63,502	53,131	14,165	6,199	77,667	59,330
<b>Total underwriting income</b>	<b>252,709</b>	<b>231,806</b>	<b>34,829</b>	<b>81,157</b>	<b>287,538</b>	<b>312,963</b>
<b>UNDERWRITING EXPENSES</b>						
Net claims incurred	(92,120)	(92,481)	(11,836)	(4,123)	(103,956)	(96,604)
Commission incurred	(50,073)	(39,612)	(19,477)	(40,188)	(69,550)	(79,800)
Administrative expenses	(45,270)	(50,554)	(20,971)	(22,000)	(66,241)	(72,554)
Other operational costs related to underwriting activities	(26,905)	(24,224)	(7,261)	(10,219)	(34,166)	(34,443)
Net movement in fair value of investment held for unit linked products	-	-	12,657	(10,782)	12,657	(10,782)
<b>Total underwriting expenses</b>	<b>(214,368)</b>	<b>(206,871)</b>	<b>(46,888)</b>	<b>(87,312)</b>	<b>(261,256)</b>	<b>(294,183)</b>
<b>Total underwriting profit/(loss)</b>	<b>38,341</b>	<b>24,935</b>	<b>(12,059)</b>	<b>(6,155)</b>	<b>26,282</b>	<b>18,780</b>
Net investment loss					2,681	(11,365)
Provision for impairment					(3,257)	(6,008)
General and administrative expenses					(2,800)	(3,375)
<b>Profit/ (Loss) for the period</b>					<b>22,906</b>	<b>(1,968)</b>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
(continued)

14 SEGMENT INFORMATION (continued)

Operating segment information (continued)

	General insurance		Life assurance		Total	
	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
<b>ASSETS</b>						
Property and equipment	54,330	59,940	18,109	19,981	72,439	79,921
Right-of-use assets	1,163	2,699	388	900	1,551	3,599
Intangible assets	11,902	12,571	3,968	4,190	15,870	16,761
Investments securities	79,792	84,996	22,494	28,275	102,286	113,271
Unit linked assets	-	-	360,188	286,798	360,188	286,798
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	488,645	344,363	195,426	143,902	684,071	488,265
Insurance and other receivables	322,518	292,914	99,441	109,213	421,959	402,127
Bank deposits with original maturities of more than three months	123,699	129,323	96,579	91,020	220,278	220,343
Cash and cash equivalents	15,629	3,857	5,210	1,285	20,839	5,142
<b>Total assets</b>	<b>1,103,678</b>	<b>936,663</b>	<b>805,803</b>	<b>689,564</b>	<b>1,909,481</b>	<b>1,626,227</b>
<b>LIABILITIES</b>						
Bank overdraft	1,717	584	-	-	1,717	584
Insurance contract liabilities	730,868	558,527	245,508	189,431	976,376	747,958
Insurance and other payables	250,424	291,337	64,000	66,544	314,424	357,881
Provision for employees' end of service benefits	9,193	8,221	3,065	2,741	12,258	10,962
Payables to policyholders of unit linked products	-	-	360,188	286,798	360,188	286,798
<b>Total liabilities</b>	<b>992,202</b>	<b>858,669</b>	<b>672,761</b>	<b>545,514</b>	<b>1,664,963</b>	<b>1,404,183</b>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
(continued)

14 SEGMENT INFORMATION (continued)

Operating segment information (continued)

	General insurance		Life assurance		Total	
	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
<b>EQUITY</b>						
Share capital	230,939	230,939	100,000	100,000	330,939	330,939
Statutory reserve	14,865	14,865	-	-	14,865	14,865
Special reserve	14,865	14,865	-	-	14,865	14,865
Reinsurance reserve	3,362	1,758	998	508	4,360	2,266
Fair value reserve	(7,306)	(6,982)	(4,400)	(4,292)	(11,706)	(11,274)
Accumulated losses	(145,249)	(177,451)	36,444	47,834	(108,805)	(129,617)
<b>Total equity</b>	<b>111,476</b>	<b>77,994</b>	<b>133,042</b>	<b>144,050</b>	<b>244,518</b>	<b>222,044</b>
<b>Total liabilities and equity</b>	<b>1,103,678</b>	<b>936,663</b>	<b>805,803</b>	<b>689,564</b>	<b>1,909,481</b>	<b>1,626,227</b>



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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 15 INSURANCE AND OTHER RECEIVABLES

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
Due from policyholders and brokers	317,429	295,855
Due from insurance and reinsurance companies	47,698	51,277
Provision for doubtful debts (due from policyholders, brokers insurance and reinsurance companies)	(27,457)	(24,849)
Due from related parties (Note 9)	26,822	26,173
Provision for doubtful debts – (Due from related parties) (Note 9)	(26,822)	(26,173)
	<u>337,670</u>	<u>322,283</u>
Other receivables	52,302	54,582
Advance paid for purchase of real estate properties (Note 9)*	36,500	36,500
Provision on advance paid for purchase of real estate properties (Note 9)*	(36,500)	(36,500)
Deferred acquisition cost (Note 15.2)	27,323	20,829
Prepaid expenses	4,664	4,433
	<u>421,959</u>	<u>402,127</u>

\* The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financials for the year ended 31 December 2020. The said asset represent a purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential-unit in a single building and a plot of land of 150,000 Square Feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction from the former Chairman who was also the representative of the related party. The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said asset. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021. (Also refer to note 24)

#### 15.1 Provision for doubtful debts

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited)
Balance at the beginning of the period/year	51,022	27,758
Provision during the period/year	3,257	23,264
Balance at the end of the period/year	<u>54,279</u>	<u>51,022</u>

#### 15.2 Deferred acquisition cost

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
Balance at the beginning of the period/year	20,829	22,392
Commission paid during the period/year	76,044	93,769
Commission incurred during the period/year	(69,550)	(95,332)
Balance at the end of the period/year	<u>27,323</u>	<u>20,829</u>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

### 16 INTANGIBLE ASSETS

	Licensed know-how fee AED'000	Software AED'000	Total intangible assets AED'000
<u>Cost:</u>			
At 1 January 2020 (Audited) (Restated)	19,108	16,906	36,014
Additions	-	53	53
<b>At 31 December 2020 (Audited) (Restated)</b>	<b>19,108</b>	<b>16,959</b>	<b>36,067</b>
Additions	-	4,199	4,199
<b>At 30 September 2021 (Unaudited)</b>	<b>19,108</b>	<b>21,158</b>	<b>40,266</b>
<u>Amortisation</u>			
At 1 January 2020 (Audited)	4,000	8,677	12,677
Charge for the year	4,000	2,629	6,629
<b>At 31 December 2020 (Audited)</b>	<b>8,000</b>	<b>11,306</b>	<b>19,306</b>
Charge for the period	3,000	2,090	5,090
<b>At 30 September 2021 (Unaudited)</b>	<b>11,000</b>	<b>13,396</b>	<b>24,396</b>
<u>Carrying amounts:</u>			
At 31 December 2020 (Audited) (Restated)	11,108	5,653	16,761
<b>At 30 September 2021 (Unaudited)</b>	<b>8,108</b>	<b>7,762</b>	<b>15,870</b>

### 17 INSURANCE AND OTHER PAYABLES

	As at 30 September 2021 AED'000 (Unaudited)	As at 31 December 2020 AED'000 (Audited) (Restated)
Trade payables	82,670	125,694
Due to insurance and reinsurance companies	154,268	142,669
Reinsurance premium reserve held	29,217	29,615
	<b>266,155</b>	297,978
Other payables:		
Unclaimed dividends	2,008	2,044
Accrued expenses and others	45,519	55,211
Lease liabilities	742	2,648
	<b>314,424</b>	357,881

### 18 ADMINISTRATIVE EXPENSES

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
Staff costs	14,280	14,762	43,590	44,071
Depreciation and amortisation	2,821	3,037	8,268	9,176
Insurance fees	805	989	2,525	2,958
Maintenance charges	516	794	2,395	1,518
Telephone and communications	753	923	2,215	2,545
Others	2,544	4,283	7,248	12,286
	<b>21,719</b>	24,788	<b>66,241</b>	72,554

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

**19 OTHER OPERATIONAL EXPENSES RELATING TO UNDERWRITING ACTIVITIES**

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
Producer salaries and incentive	8,950	6,792	22,615	22,459
Third party administration fees	2,460	2,416	7,003	7,221
Other expenses	1,848	(629)	4,548	4,763
	<u>13,258</u>	<u>8,579</u>	<u>34,166</u>	<u>34,443</u>

**20 NET INVESTMENT INCOME / (LOSS )**

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Interest income	1,490	1,948	4,927	6,004
Other investment income/(loss):				
Dividend income	-	-	495	693
Realised gains on investments at FVTPL	-	76	569	610
Unrealised (loss)/ gain on investments at FVTPL	(3,323)	7,595	(2,323)	(17,624)
Investment management expenses	(256)	(247)	(823)	(827)
Others	(93)	(52)	(164)	(221)
Other investment income / (loss)	(3,672)	7,372	(2,246)	(17,369)
<b>Net investment income /( loss)</b>	<u>(2,182)</u>	<u>9,320</u>	<u>2,681</u>	<u>(11,365)</u>

**21 NET INSURANCE PREMIUM REVENUE**

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
<b><i>Gross written premiums</i></b>				
Gross written premiums	220,252	193,058	721,178	665,798
Change in unearned premiums	(936)	33,627	(54,787)	790
Change in mathematical reserve	1,459	(4,114)	(23,292)	(3,449)
Unit linked investments	2,552	(41,066)	(52,363)	(64,794)
Net movement in reserve of unit linked products	(9,280)	11,170	(12,657)	10,782
	<u>214,047</u>	<u>192,675</u>	<u>578,079</u>	<u>609,127</u>
<b><i>Reinsurance premiums ceded</i></b>				
Reinsurance premiums ceded	(148,484)	(76,296)	(418,791)	(349,682)
Change in unearned premiums	(1,341)	(25,863)	29,996	1,921
Change in mathematical reserve	(1,417)	3,102	20,587	(7,733)
	<u>(151,242)</u>	<u>(99,057)</u>	<u>(368,208)</u>	<u>(355,494)</u>
<b>Net insurance premium revenue</b>	<u>62,805</u>	<u>93,618</u>	<u>209,871</u>	<u>253,633</u>

## 22 SEASONALITY OF RESULTS

Dividend income amounted to AED 495 thousand and AED 693 thousand for the nine-month periods ended 30 September 2021 and 30 September 2020, 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 nine month period ended 30 September 2021 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 2021.

## 23 RISK MANAGEMENT

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 31 December 2020. There have been no changes in any risk management policies since the year end.

The Company recorded a provision against advances for real estate properties by restating the 31 December 2020 financial statements. This has resulted in the Company not being in compliance with the Solvency requirement set by the Central Bank of the UAE by AED 47 million. The Company has submitted a recovery plan to the Central Bank of the UAE on 11 November 2021. As part of the recovery plan, subsequent to the nine month period ended 30 September 2021, the Company sold the entire portfolio of Ajman Bank shares and assuming everything remains constant, this is expected to result in a decrease in the deficit by AED 42.2 million. The Company is assessing the solvency requirement on a periodic basis and will notify the Central Bank of the UAE on the progress made with respect to compliance with the solvency requirement.

### Impact of COVID-19

The Covid-19 Pandemic that started during the first quarter of 2020 is still continuing. UAE has vaccinated a majority of the residents and this has resulted in a substantial reduction to the risk of the pandemic. However, the worldwide effect is still on. The identification of new variants of the virus across the world is a worrying factor.

The various measures taken for the containment of this virus have resulted in economic disruption though the scale varies from country to country. The industries that are generally impacted are airline, travel and leisure, and tourism and related activities.

UAE has been very proactive in containment measures and seamless vaccinations to its residents. This has helped in ensuring the economy is running without any difficulty. The economic opening and the preventive measures have helped in the economic growth and stability of business though business in the tourism trade such as Airlines, Leisure and hospitality sectors continue to be affected. However, in the third quarter 2021 we see a gradual improvement in these sectors due to the opening up of the economy. The successful start of EXPO 2020 is an example of a vibrant economy opening up.

The Company had a marginal impact on its business due to the current circumstances. The economy of Dubai has now opened up and we expect this opening to improve the overall business. On the operational front, the Company's robust and proactive action in enabling Work from Home facility and abiding by the Government directives on movement and congregation in offices etc during the 2020 have helped the company to run the business as usual. The company has no material exposure to airline or travel and tourism industries. There is expected impact on Medical insurance claims due to Covid-19 but is well compensated by reduction in normal claims. The Company's reinsurance arrangement covers the impact of the claims. The Company's well rated and long standing reinsurers will stand by the company in fulfilling the claims needs.

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

24 PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION

I. Prior period adjustment to the condensed interim statement of financial position

As at 1 January 2020

	As previously reported		Adjustments							As restated	
	As at 1 January 2020	As at 1 January 2020	Adj a)	Adj b)	Adj c)	Adj e)	Adj f)	Adj g)	Adj h)	Adj l)	As at 1 January 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
<b>ASSETS</b>											
Property and equipment	101,584		(22,834)								78,750
Intangible assets	8,229							15,108			23,337
Investment properties	75,195	(75,195)									-
Investments held on behalf of policyholders' unit linked products	261,026			(68,588)							192,438
Reinsurance contract assets	518,265					20,543					538,808
Insurance and other receivables	496,379					(19,808)	(15,108)	(3,743)	16,066		473,786
Cash and bank balances	152,844				(152,844)						-
Cash and cash equivalents	-				20,059						20,059
Bank deposits with original maturities of more than three months	-					132,785		3,743			136,528
<b>Total assets</b>	<b>1,816,163</b>	<b>(75,195)</b>	<b>(22,834)</b>	<b>(68,588)</b>	<b>-</b>	<b>735</b>	<b>-</b>	<b>-</b>	<b>16,066</b>	<b>-</b>	<b>1,666,347</b>
<b>Liabilities and equity</b>											
<b>LIABILITIES</b>											
Insurance contract liabilities	769,771						735		23,033		793,539
Insurance and other payables	447,525								(6,967)		440,558
Payable to policy holders' of unit-linked products	261,026			(68,588)							192,438
<b>Total liabilities</b>	<b>1,490,322</b>	<b>-</b>	<b>-</b>	<b>(68,588)</b>	<b>-</b>	<b>735</b>	<b>-</b>	<b>-</b>	<b>16,066</b>	<b>-</b>	<b>1,438,535</b>
Accumulated losses	(24,560)	(75,195)	(22,834)								(122,589)
<b>Net equity</b>	<b>325,841</b>	<b>(75,195)</b>	<b>(22,834)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227,812</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,816,163</b>	<b>(75,195)</b>	<b>(22,834)</b>	<b>(68,588)</b>	<b>-</b>	<b>735</b>	<b>-</b>	<b>-</b>	<b>16,066</b>	<b>-</b>	<b>1,666,347</b>

Union Insurance Company P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)

24. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

I. Prior period adjustment to the condensed interim statement of financial position (continued)

As at 31 December 2020

	Adjustments									As restated
	As previously reported								As at 31	
	As at 31 December 2020	Adj a)	Adj b)	Adj c)	Adj e)	Adj f)	Adj g)	Adj h)	Adj l)	As at 31 December 2020
(Audited)	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	(Audited)
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
<b>ASSETS</b>										
Property and equipment	102,755		(22,834)							79,921
Intangible assets	5,653						11,108			16,761
Investment properties	72,270	(72,270)								-
Investments held on behalf of policyholders' unit linked products	363,066			(76,268)						286,798
Reinsurance contract assets	474,433					13,832				488,265
Insurance and other receivables	402,325						(11,108)	(5,112)	16,022	402,127
Cash and bank balances	220,373				(220,373)					-
Cash and cash equivalents	-				5,142					5,142
Bank deposits with original maturities of more than three months	-				215,231			5,112		220,343
<b>Total assets</b>	<b>1,767,745</b>	<b>(72,270)</b>	<b>(22,834)</b>	<b>(76,268)</b>	<b>-</b>	<b>13,832</b>	<b>-</b>	<b>-</b>	<b>16,022</b>	<b>1,626,227</b>
<b>Liabilities and equity</b>										
<b>LIABILITIES</b>										
Insurance contract liabilities	712,256					13,832			21,870	747,958
Insurance and other payables	363,729								(5,848)	357,881
Payable to policy holders' of unit-linked products	363,066			(76,268)						286,798
<b>Total liabilities</b>	<b>1,450,597</b>	<b>-</b>	<b>-</b>	<b>(76,268)</b>	<b>-</b>	<b>13,832</b>	<b>-</b>	<b>-</b>	<b>16,022</b>	<b>1,404,183</b>
Accumulated losses	(34,513)	(72,270)	(22,834)							(129,617)
<b>Net equity</b>	<b>317,148</b>	<b>(72,270)</b>	<b>(22,834)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,044</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,767,745</b>	<b>(72,270)</b>	<b>(22,834)</b>	<b>(76,268)</b>	<b>-</b>	<b>13,832</b>	<b>-</b>	<b>-</b>	<b>16,022</b>	<b>1,626,227</b>

## 24. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

## II. Prior period adjustment to the condensed interim statement of income

For the nine month period ended 30 September 2020

	As previously reported						As restated
	For the nine month						For the nine month
	period ended						period ended
	30 September 2020						30 September 2020
	Adjustments						
	(Unaudited)	Adj c)	Adj f)	Adj g)	Adj j)	Adj k)	(Unaudited)
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
<b>UNDERWRITING INCOME</b>							
Gross written premium	665,798						665,798
Reinsurance premiums ceded	(349,682)						(349,682)
	316,116	-	-	-	-	-	316,116
Net change in unearned premium and policyholders' reserve	(68,334)	5,851					(62,483)
Net earned premium	247,782	5,851	-	-	-	-	253,633
Gross commission earned	54,113				5,217		59,330
<b>Total underwriting income</b>	<b>301,895</b>	<b>5,851</b>	<b>-</b>	<b>-</b>	<b>5,217</b>	<b>-</b>	<b>312,963</b>
<b>UNDERWRITING EXPENSES</b>							
Gross claims incurred	(243,511)		5,593				(237,918)
Insurance claims recovered from reinsurers	146,907		(5,593)				141,314
<b>Net claims incurred</b>	<b>(96,604)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(96,604)</b>
Commission incurred	(73,759)				(6,041)		(79,800)
Administrative expenses	(58,300)			(3,000)		(11,254)	(72,554)
Other operational costs related to underwriting activities	(38,267)			3,000	824		(34,443)
Net movement in reserve of unit linked products	(4,931)	(5,851)					(10,782)
<b>Total underwriting expenses</b>	<b>(271,861)</b>	<b>(5,851)</b>	<b>-</b>	<b>-</b>	<b>(5,217)</b>	<b>(11,254)</b>	<b>(294,183)</b>
<b>UNDERWRITING PROFIT</b>	<b>30,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,254)</b>	<b>18,780</b>
Net investment income/ (loss)	(11,365)						(11,365)
Impairment provision	-					(6,008)	(6,008)
Board of directors remuneration	-					(3,375)	(3,375)
General and administrative expenses	(20,637)					20,637	-
<b>PROFIT/ (LOSS) FOR THE PERIOD</b>	<b>(1,968)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,968)</b>

## 24. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

## II. Prior period adjustment to the condensed interim statement of income (continued)

## For the three month period ended 30 September 2020

	As previously reported						As restated For the three month period ended 30 September 2020 (Unaudited) AED '000
	For the three month period ended 30 September 2020 (Unaudited) AED '000	Adj c) AED '000	Adj f) AED '000	Adjustments			
			Adj g) AED '000	Adj j) AED '000	Adj k) AED '000		
<b>UNDERWRITING INCOME</b>							
Gross written premium	193,058					193,058	
Reinsurance premiums ceded	(76,296)					(76,296)	
	116,762	-	-	-	-	116,762	
Net change in unearned premium and policyholders' reserve	(28,742)	5,598				(23,144)	
Net earned premium	88,020	5,598	-	-	-	93,618	
Gross commission earned	14,147			(134)		14,013	
<b>Total underwriting income</b>	102,167	5,598	-	(134)	-	107,631	
<b>UNDERWRITING EXPENSES</b>							
Gross claims incurred	(87,420)		1,786			(85,634)	
Insurance claims recovered from reinsurers	51,601		(1,786)			49,815	
<b>Net claims incurred</b>	(35,819)	-	-	-	-	(35,819)	
Commission incurred	(24,182)			(2,952)		(27,134)	
Administrative expenses	(19,610)			(1,000)	(4,178)	(24,788)	
Other operational costs related to underwriting activities	(12,665)			1,000	3,086	(8,579)	
Net movement in reserve of unit linked products	(5,572)	(5,598)				(11,170)	
<b>Total underwriting expenses</b>	(97,848)	(5,598)	-	134	(4,178)	(107,490)	
<b>UNDERWRITING PROFIT</b>	4,319	-	-	-	(4,178)	141	
Net investment income/ (loss)	9,320					9,320	
Impairment provision	-				(2,000)	(2,000)	
General and administrative expenses	(6,178)				6,178	-	
<b>PROFIT/ (LOSS) FOR THE PERIOD</b>	7,461	-	-	-	-	7,461	



## 24. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

## III. Prior period adjustment to the condensed interim statement of cash flows

For the nine month period ended 30 September 2020

	As previously reported For the nine month period ended 30 September 2020 (Unaudited) AED '000	Adj c) AED '000	Adj e) AED '000	Adjustments		Adj h) AED '000	Adj l) AED '000	As restated For the nine month period ended 30 September 2020 (Unaudited) AED '000
				Adj f) AED '000	Adj g) AED '000			
<b>Cash flows from operating activities</b>								
<i>Adjustment for:</i>								
Depreciation and amortisation	6,176				3,000			9,176
Increase in insurance and other receivables (including related parties)	50,273			(19,808)	(3,000)	1,033	222	28,720
Increase in unit linked investments	(59,865)	5,851						(54,014)
Increase in unit linked liabilities	59,865	(5,851)						54,014
Increase in reinsurance contract assets	22,491			5,593				28,084
Increase in insurance and other payables	(64,007)						2,184	(61,823)
Increase in insurance contract liabilities	(20,874)			14,215			(2,406)	(9,065)
<b>Net cash generated from operating activities</b>	10,580	-	-	-	-	1,033	-	11,613
<b>Cash flows from investing activities</b>								
Interest received	6,004					(1,033)		4,971
(Increase) / decrease in fixed deposit with banks with original maturities of more than three months	(65,154)		(4,147)					(69,301)
<b>Net cash used in investing activities</b>	(11,284)	-	(4,147)	-	-	(1,033)	-	(16,464)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(4,196)	-	(4,147)	-	-	-	-	(8,343)
Cash and cash equivalents at the beginning of the period	43,967		(27,290)					16,677
<b>Cash and cash equivalents at the end of the period</b>	39,771	-	(31,437)	-	-	-	-	8,334

**24. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION** (continued)

*Management has re-evaluated the accounting treatment of some transactions and assets recorded in the financial statements as at 31 December 2020 and in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" restated its financial statements to correct these errors in the condensed interim financial information for the nine month period ended 30 September 2021 as prior period restatements. The impact of these misstatements has been reflected in the statement of financial position as at 1 January 2020 and thereafter in the respective years presented in the condensed interim financial information. The details of these restatements are listed below:*

*a. Restatement of advances paid for purchase of real estate properties*

In prior years, the Company made payments towards the acquisition of real estate properties to the amount of AED 36,500 thousand which was classified as investment property and revalued to an amount of AED 72,270 thousand as at 31 December 2020. The payments related to the purchase of a 60 residential-unit in a single building and a plot of land of 150,000 Square Feet with integrated infrastructure. The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer) since purchase date, and furthermore the transaction did not result in transfer of any assets in this period. The Company neither has title deeds nor a possession of the said asset. At no point was the Company able to assert control over the real estate properties and the Company was unable to take possession of the property. Furthermore, in terms of the 150,000 square feet of the land referred to above, in the prior years the square feet was reduced to 56,800 square feet and later amended to 78,900 square feet. This was all implemented on the instruction from the former Chairman who was also the representative of the related party. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and resulted in the misappropriation of the advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties.

As part the re-evaluation performed by management of the Company, the following was noted:

- the classification of the advances paid should not have been classified as investment properties under IFRS but should have been accounted for as advance payments as the Company did not have control of the real estate properties or the development thereof, and
- the advances should have been considered impaired prior to 1 January 2020 as there were no future economic benefits expected from these properties.

This has resulted in overstating the Company's assets as at 31 December 2020 and 1 January 2020 of AED 72,270 thousand and AED 75,195 thousand respectively and as such the properties have been reclassified from "investment properties" to "advances paid for purchase of real estate properties" (included within "insurance and other receivables") and impaired in full. This correction resulted in an impact on "investment properties", "insurance and other receivables" and "accumulated losses". Furthermore, it is to be noted that the management of the Company recorded the AED'000 72,270 thousand as an impairment loss in the condensed interim statement of income for the six month period ended 30 June 2021 instead of accumulated losses as at 1 January 2020. This was corrected in the condensed interim financial information for the nine month period ended 30 September 2021 as per the above.

The Company is pursuing legal actions against the involved parties to recover the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

*b. Restatement for measurement of free hold land*

In prior years, the Company had recorded free hold land at an amount of AED 82,045 thousand. The land was obtained in an exchange transaction which occurred on 15 July 2018. The previous asset was recorded at an amount of AED 82,045 thousand and as part of the exchange the Company received the land for the fair value of AED 59,210 thousand. The Company received the title deeds for the land and the exchange was considered to have commercial substance. On the date of exchange, the land should have been recorded at AED 59,210 thousand. The Company restated the prior period cost of the free hold land to AED 59,210 thousand. This correction resulted in AED 22,834 thousand reduction in "property and equipment" and AED 22,834 thousand increase in "accumulated losses".

**24 PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION** (continued)

*c. Restatement of Investments held on behalf of policyholders of unit linked products and payables to policyholders of unit linked products*

In prior years the Company entered into a reinsurance arrangement with another party and incorrectly recorded assets and liabilities of AED 76,268 thousand for 31 December 2021 and AED 68,588 thousand for 1 January 2020 within each of the “Investments held on behalf of policyholders of unit linked products” and “payables to policyholders of unit linked products”.

Management reassessed the reinsurance arrangements and considered the contractual terms of the contract. In terms of the contract, the Company has no rights to any underlying assets related to the unit linked contracts and has only assumed an obligation to reinsure a portion of any losses on the contract. As such, the Company should not have accounted for any financial assets, liabilities on behalf of policyholders nor any fair value gains or losses on these investments. In the current period, management of the Company reversed these amounts since they do not represent the Company’s assets, liabilities or profit or loss. The prior year comparatives have been adjusted to correct the incorrect recognition of the assets and liabilities accordingly.

*d. Reclassification of Investments held on behalf of policyholders of unit linked products*

As at 31 December 2020 and 1 January 2020 management of the Company recorded AED 88,984 thousand and AED 45,658 thousand respectively within “Investments held on behalf of policyholders of unit linked products” on the condensed interim statement of financial position. The contracts were accounted for as investment contracts and not as insurance contracts as the contracts did not assume any significant insurance risk. The contracts have been issued to the customers (policyholders) of the Company and a back to back arrangement has been entered into whereby the Company is compensated by another entity (Reinsurer) for the payments to policyholders. The underlying investments related to the unit linked policies are held by the Reinsurer and not by the Company and the Company has no access to these assets and does not control these assets. The Company has incorrectly shown the individual underlying assets of the unit linked policies and not as a financial asset owing by the Reinsurer. During the current period, management of the Company corrected the presentation by disclosing these balances within “Unit linked assets” as “financial asset from reinsurer in relation to investments held on behalf of policyholders of unit linked products” and within “net movement in reserve of unit linked products” as “net movement in financial asset from reinsurer in relation to unit linked products.”

*e. Reclassification of cash and bank balances*

In the current period, management of the Company identified that the statement of financial position had not disclosed cash and cash equivalents as required under IFRS. The cash and bank balances currently disclosed included “Bank deposits with original maturities of more than three months”. “Bank deposits with original maturities of more than three months” do not meet the definition of cash and cash equivalents. In addition, the Company had erroneously classified “Bank deposits with original maturities of more than three months” in cash and cash equivalents for purposes of the statement of cash flows. As at 1 January 2020, cash and bank balances amounting to AED 152,844 thousand included cash and cash equivalents amounting to AED 20,059 thousand and bank deposits with original maturities of more than three months amounting to AED 132,785 thousand. As 31 December 2020, cash and bank balances amounting to AED 220,373 thousand included cash and cash equivalents amounting to AED 5,142 thousand and bank deposits with original maturities of more than three months amounting to AED 215,231 thousand

As a result, the presentation was adjusted such that “Cash and cash equivalents” and “Bank deposits with original maturities of more than three months” are presented in separate line items on the face of the condensed interim statement of financial position and the condensed interim statement of cash flows. The comparatives were adjusted to correct the prior periods.

**24 PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION** (continued)

*f. Restatement of third-party (“TP”) recoveries*

Management reassessed the presentations of TP recoveries in the financial statements and considered whether the presentation was aligned with the accounting policy and the principles of IFRS 4. The following was noted:

- “TP recoveries against claims reported unsettled” as at 1 January 2020 were presented as part of the “insurance and other receivables” whilst the accounting policy states this should be presented net of “insurance contract liabilities”. Similarly, “TP recoveries against paid claims”, were presented as part of “insurance and other receivables” as opposed to “reinsurance contract assets”.
- “TP recoveries against paid claims” as at 31 December 2020 and 30 September 2020 were presented net of “insurance contract liabilities” and not as part of “reinsurance contract assets”.
- Furthermore, in the condensed interim statement of income, these amounts have been included within “gross claims incurred” instead of “insurance claims recovered from reinsurers”.
- The corresponding “reinsurance share of TP recoveries against paid claims” was incorrectly presented in “reinsurance contract assets” and not as “insurance contract liabilities”. Furthermore, the condensed interim statement of income presented such claims as “insurance claims recovered from reinsurers” and not “gross claims incurred” on the condensed interim statement of income.

The errors in presentation noted above were corrected and the comparative figures for the previous periods have been restated to correct the error in presentation.

*g. Reclassification of Licensed know-how fee*

In prior years, certain licensed know-how was accounted for as a prepayment under “other receivables” which should have been recognised as an intangible asset. Furthermore, the amortisation of the expense was included under “other operational expenses related to underwriting activities” line item on the condensed interim statement of income.

As at 31 December 2020 and 1 January 2020, an amount of AED 11,108 thousand and AED 15,108 thousand respectively were recorded within “other receivables” which is included in the “insurance and other receivables” line item on the condensed interim statement of financial position. For the nine month period ended 30 September 2020 and for the three month period ended 30 September 2020, AED 3,000 thousand and AED 1,000 thousand were included respectively within “other operational expenses related to underwriting activities” line item on the condensed interim statement of income.

During the current period, management of the Company reclassified the amounts included within “other receivables” to “intangible assets” and the amounts included within “other operational expenses related to underwriting activities” to “administrative expenses”.

*h. Reclassification of accrued interest receivables*

In prior years, accrued interest receivable amounting to AED 5,112 thousand and AED 3,743 thousand related to specific bank balances was incorrectly included within “Insurance and other receivables” and not part of the related bank balances. In the current period, management of the Company has reclassified these balances from “Insurance and other receivables” to “Bank deposits with original maturities of more than three months” in order to correct the classification.

*i. Reclassification of mathematical reserve and unexpired risk reserve*

As at 31 December 2020 and 1 January 2020, the following was noted:

- gross mathematical reserves amounting to AED 107,721 thousand and AED 98,670 thousand respectively were included within “Unearned premiums”,
- reinsurance share of mathematical reserves amounting to AED 92,932 thousand and AED 86,284 thousand respectively were included within “reinsurance share of unearned premiums”,
- gross unexpired risk reserve amounting to AED 2,181 thousand and AED 1,109 thousand respectively were included within “claims incurred but not reported” and
- reinsurance share of unexpired risk reserve amounting to AED (7,804) thousand and AED (9,573) thousand respectively were included within “reinsurance share of claims incurred but not reported”.

In the current period, management of the Company has reclassified these balances to show them as separate line items within the “insurance contract liabilities and reinsurance contract assets” disclosure in order to more appropriately reflect the nature of these balances as required under IFRS.

**24 PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE INFORMATION** (continued)

*j. Reclassification of profit commission income and profit commission expense*

For the nine month period ended 30 September 2020 and the three month period ended 30 September 2020, profit commission income amounting to AED 5,217 thousand and (AED 134 thousand) respectively and profit commission expense amounting to AED 6,041 thousand and AED 2,952 thousand respectively were included within “other operating expenses related to underwriting activities”.

In the current period, management of the Company has reclassified the profit commission income and profit commission expense amounts from “other operating expenses related to underwriting activities” to “Gross commission earned” and “Commission incurred” line items in the condensed interim statement of income respectively in order to more appropriately reflect the nature of these amounts.

*k. Reclassification from general and administrative expenses to provision for impairment, administrative expenses and Board of Directors’ remuneration*

In the current period, management of the Company identified and adjusted the presentation such that amounts were reclassified from “general and administrative expenses” to “administrative expenses”, “provision for impairment” and “Board of Directors’ remuneration” within the condensed interim statement of income. The comparative information has been restated to reflect the revised classification. For the nine month period ended 30 September 2020, general and administrative expenses amounting to AED’000 20,637 were reclassified to administrative expenses (AED 11,254 thousand), provision for impairment (AED’000 6,008) and Board of Directors’ remuneration (AED 3,375 thousand). For the three month period ended 30 September 2020, general and administrative expenses amounting to AED 6,178 thousand were reclassified to administrative expenses (AED 4,178 thousand), provision for impairment (AED 2,000 thousand) and no impact on Board of Directors’ remuneration.

*l. Reclassification for provision for defaults claims and refunds*

During the current year, management noted that provisions for default claims and refunds related to credit life insurance contracts were not classified and presented within “insurance contract liabilities”. As at 31 December 2020, management corrected the classification and has reclassified provision relating to default and refund claims amounting to AED 21,870 thousand and AED 23,033 thousand as at 31 December 2020 and 1 January 2020 from “insurance and other receivables” and “insurance and other payables” to “insurance contract liabilities”.

m. The Company corrected the compensation for key management personnel and the reinsurance share of unit linked for the nine month and three month periods ended 30 September 2020 to conform to current period presentation.

**25 SUBSEQUENT EVENTS**

Apart from the matter mentioned in note 23, there have been no other events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts and the disclosures reported in the condensed interim financial information of the Company as at and for the nine month period ended 30 September 2021.