

Union Insurance Company P.J.S.C.

**Condensed interim financial statements (Unaudited)
For the three months period ended 31 March 2022**

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

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Report on review of condensed interim financial statements 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 31 March 2022 and the related condensed interim statement of income, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The condensed interim financial statements for the three months period ended 31 March 2021 were reviewed by another auditor who expressed an unmodified conclusion on 10 May 2021 and the financial statements for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on 28 March 2022.



Grant Thornton
Farouk Mohamed
Registration No: 86

Sharjah, 13 May 2022



Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 31 March 2022

	Notes	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
ASSETS			
Property and equipment	4	69,955	70,446
Intangible assets		12,812	14,574
Right-of-use-assets		159	637
Unit linked assets	5	349,683	368,887
Investment securities	5	69,925	47,888
Statutory deposit	6	10,000	10,000
Reinsurance contract assets	7	802,412	831,514
Insurance and other receivables	8	376,354	356,202
Bank deposits with original maturities of more than three months	9.2	220,714	205,965
Cash and cash equivalents	9.1	62,494	91,881
Total assets		1,974,508	1,997,994
EQUITY AND LIABILITIES			
Equity			
Share capital	10	330,939	330,939
Statutory reserve	11.1	16,187	16,187
Special reserve	11.2	16,187	16,187
Reinsurance reserve	11.3	5,629	4,885
Fair value reserve	11.4	163	156
Accumulated losses		(119,570)	(132,869)
Total equity		249,535	235,485
Liabilities			
Provision for employees' end of service benefit		13,556	12,873
Insurance contract liabilities	7	1,072,755	1,105,249
Insurance and other payables	12	288,979	275,500
Payables to policyholders of unit-linked products	13	349,683	368,887
Total liabilities		1,724,973	1,762,509
Total equity and liabilities		1,974,508	1,997,994


Abdul Mutaleb M H M Aljaede
Chief Executive Officer

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of income
For the three months period ended 31 March 2022

	Notes	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
UNDERWRITING INCOME			
Gross written premiums	14	246,653	250,474
Reinsurance premiums ceded	14	<u>(148,785)</u>	<u>(156,072)</u>
Net retained premiums		97,868	94,402
Net change in unearned premiums, mathematical reserve and policyholders' reserve	14	<u>18,866</u>	<u>(27,498)</u>
Net earned premium		116,734	66,904
Gross commission earned		<u>20,921</u>	<u>27,008</u>
Total underwriting income		<u>137,655</u>	<u>93,912</u>
UNDERWRITING EXPENSES			
Gross claims incurred		(65,360)	(71,623)
Insurance claims recovered from reinsurers		<u>28,951</u>	<u>38,385</u>
Net claims incurred		(36,409)	(33,238)
Commission incurred		(18,232)	(23,711)
Administrative expenses		(24,473)	(22,051)
Other operational costs related to underwriting activities		(12,236)	(12,157)
Net movement in fair value of investment held for unit linked products		<u>(36,303)</u>	<u>8,688</u>
Total underwriting expenses		<u>(127,653)</u>	<u>(82,469)</u>
UNDERWRITING PROFIT			
Interest income		10,002	11,443
Other net investment income/(loss)		1,258	1,630
Provision for impairment		2,783	(1,973)
Directors' remuneration	17	-	(4)
		<u>-</u>	<u>(2,975)</u>
PROFIT FOR THE PERIOD		<u>14,043</u>	<u>8,121</u>
Basic and diluted earnings per share (AED)	15	<u>0.042</u>	<u>0.025</u>

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the three months period ended 31 March 2022

	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Profit for the period	<u>14,043</u>	<u>8,121</u>
Other comprehensive profit/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value of investments at fair value through other comprehensive income	<u>7</u>	<u>(336)</u>
Other comprehensive income/(loss) for the period	<u>7</u>	<u>(336)</u>
Total comprehensive income for the period	<u><u>14,050</u></u>	<u><u>7,785</u></u>

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

United Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of changes in equity
For the three months period ended 31 March 2022

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Reinsurance reserve AED'000	Fair v res AED
Balance at 1 January 2022 (Audited)	330,939	16,187	16,187	4,885	
Profit for the period	-	-	-	-	
Other comprehensive income for the period	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	
Transfer to reinsurance reserve	-	-	-	744	
Balance at 31 March 2022 (Unaudited)	330,939	16,187	16,187	5,629	
Balance at 1 January 2021 (Audited) (Restated)	330,939	14,865	14,865	2,266	(1)
Profit for the period	-	-	-	-	
Other comprehensive loss for the period	-	-	-	-	
Total comprehensive (loss)/income for the period	-	-	-	-	
Balance at 31 March 2021 (Unaudited) Restated	330,939	14,865	14,865	2,266	(1)

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the three months period ended 31 March 2022

	Notes	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Cash flows from operating activities			
Profit for the period		14,043	8,121
Adjustments for:			
Depreciation and amortisation		2,613	2,782
Gain on disposal of investments at FVTPL		(2,096)	(707)
Unrealised (gain)/loss on investments at FVTPL		(748)	2,428
Provision for impairment		-	4
Interest income		(1,258)	(1,630)
Dividend income	18	(211)	-
Interest on lease liabilities		4	43
Interest on margin trading account		-	9
Provision for employees' end of service benefits		1,122	1,014
		13,469	12,064
Change in working capital			
Reinsurance contract assets		29,102	(17,009)
Insurance and other receivables		(20,152)	(25,597)
Insurance contract liabilities		(32,494)	20,388
Insurance and other payables		13,479	7,162
Unit linked assets		19,204	(23,950)
Unit linked liabilities		(19,204)	23,950
		3,404	(2,992)
Employees' end of service indemnity paid		(439)	(707)
Net cash generated from/(used in) operating activities		2,965	(3,699)
Cash flows from investing activities			
Purchase of property and equipment		(195)	(643)
Proceeds from sale of property and equipment		313	-
Purchase of investments held at FVTPL (excluding unit linked assets)		(29,149)	(4,912)
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		9,963	6,710
Interest received		2,284	1,630
Dividends received		211	-
Increase in fixed deposit with banks with maturity greater than three months		(15,775)	(4,020)
Net cash used in investing activities		(32,348)	(1,235)

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows (continued)
For the three months period ended 31 March 2022

	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Cash flows from financing activities		
Payment of principal portion of lease liabilities	-	(9)
Interest paid on lease liabilities	(4)	(274)
Interest paid on margin trading account	-	(43)
Net cash used in financing activities	(4)	(326)
Net decrease in cash and cash equivalents	(29,387)	(5,260)
Cash and cash equivalents at the beginning of the period	91,881	4,558
Cash and cash equivalents at the end of the period	62,494	(702)

Notes

9.1

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

Union Insurance Company P.J.S.C.

Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements

For the three months period ended 31 March 2022

1. General 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, as amended, concerning establishment of the Insurance Authority and Organisation of its Operations, and is registered with the Insurance Companies Register of the Central Bank of the UAE ("CBUAE") (formerly, the Insurance Authority of the UAE), under registration number 67. The Company's registered corporate office is at 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 Law Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015, as amended, on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

Decretal Federal Law No. 25 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 Authority has now merged into the Central Bank of the UAE, which commenced its operational procedures to assume the supervisory and regulatory responsibility of the insurance sector.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

There are no new and revised IFRS that has a material impact for the Company during the period.

New and revised IFRS not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2023 together with IFRS 9 *Financial Instruments*. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. 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. Management is in the process of performing a detailed assessment as required by the CBUAE on implementation of IFRS 17.

There are no other standards and amendments that are not yet effective and have not been adopted early by the Company.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)

For the three months period ended 31 March 2022

3. Summary of significant accounting policies

Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) no. 34, *Interim Financial Reporting* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed interim financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated, and all values are rounded to nearest thousand ("AED'000) except when otherwise indicated.

These condensed interim financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The accounting policies, presentation and methods in these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2021. In addition, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial statements 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 were applied to the financial statements for the year ended 31 December 2021.

4. Property and equipment

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Operating assets (note 4.1)	66,961	67,331
Capital work in progress*	2,994	3,115
	<u>69,955</u>	<u>70,446</u>

* Capital work in progress includes additions amounted to AED 192 thousand. During the period, capital work in progress amounted to AED 313 thousand were impaired in the condensed interim statement of income.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

4. Property and equipment (continued)

4.1 Operating assets

	Freehold land AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost:						
At 1 January 2021 (Audited) (Restated)	61,067	16,226	2,725	872	9,698	90,588
Additions	-	727	81	-	183	991
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	61,067	16,953	2,806	822	9,881	91,529
Additions	-	-	3	-	-	3
At 31 March 2022 (Unaudited)	61,067	16,953	2,809	822	9,881	91,532
Accumulated depreciation:						
At 1 January 2021 (Audited) (Restated)	-	10,711	2,546	613	8,858	22,728
Charge for the year	-	968	83	138	331	1,520
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	-	11,679	2,629	701	9,189	24,198
Charge for the period	-	253	20	33	67	373
At 31 March 2022 (Unaudited)	-	11,932	2,649	734	9,256	24,571
Net carrying amounts:						
At 31 December 2021 (Audited)	61,067	5,274	177	121	692	67,331
At 31 March 2022 (Unaudited)	61,067	5,021	160	88	625	66,961

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

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

5. Investment in securities and unit linked assets

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Financial assets at fair value through profit or loss (Note 5.1)	69,901	47,871
Financial assets at fair value through other comprehensive income (Note 5.2)	24	17
	<u>69,925</u>	<u>47,888</u>
Unit linked assets (Note 5.3)	<u>349,683</u>	<u>368,887</u>

5.1 Investment at fair value through profit or loss

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	42,143	19,668
Quoted equity securities outside U.A.E	594	570
Quoted bonds in U.A.E	16,055	16,450
Investment in funds outside U.A.E	7,364	7,364
Unquoted equity securities outside U.A.E	352	426
Unquoted equity securities in U.A.E	3,393	3,393
	<u>69,901</u>	<u>47,871</u>

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

5.2 Investment at fair value through other comprehensive income

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	<u>24</u>	<u>17</u>

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

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

5. Investment in securities and unit linked assets (continued)

5.3 Unit linked assets

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	211,723	231,059
Financial assets from reinsurers towards policyholders of unit-linked products carried at FVTPL	121,214	124,474
Cash held on behalf of policyholders of unit linked products carried at amortised cost	16,746	13,354
	<u>349,683</u>	<u>368,887</u>

6. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007 on Establishment of Insurance Companies register of the CBUAE and Organisation of its operations, the Company maintains a bank deposit of AED 10 million (31 December 2021: AED 10 million) as a statutory deposit.

7. Insurance contract liabilities and reinsurance contract assets

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	517,914	579,170
Claims incurred but not reported	102,763	100,358
Unallocated loss adjustment expense reserve	6,925	6,974
Unexpired risk reserve	8,873	8,048
Third party recoveries	3,565	3,544
Mathematical reserve	141,577	139,040
Unearned premiums	276,809	253,786
Provision for default claims and refunds	14,329	14,329
	<u>1,072,755</u>	<u>1,105,249</u>
Reinsurance contract assets – recoverable from reinsurers		
Claims reported unsettled	(448,568)	(506,533)
Claims incurred but not reported	(70,615)	(65,379)
Unexpired risk reserve	658	2,672
Third party recoveries	(7,728)	(8,163)
Mathematical reserve	(121,715)	(119,373)
Unearned premiums	(154,444)	(134,738)
	<u>(802,412)</u>	<u>(831,514)</u>

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

7. Insurance contract liabilities and reinsurance contract assets (continued)

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Net		
Claims reported unsettled	69,346	72,637
Claims incurred but not reported	32,148	34,979
Unallocated loss adjustment expense reserve	6,925	6,974
Unexpired risk reserve	9,531	10,720
Third party recoveries	(4,163)	(4,619)
Mathematical reserve	19,862	19,667
Unearned premiums	122,365	119,048
Provision for default claims and refunds	14,329	14,329
	<u>270,343</u>	<u>273,735</u>

The gross and net insurance contract liabilities of AED 1,024,700 thousand and AED 253,745 thousand respectively as at 31 March 2022 (31 December 2021: AED 1,068,194 thousand and AED 258,330 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 these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021.

8. Insurance and other receivables

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Due from policyholders and brokers	298,478	280,295
Due from insurance companies	24,945	22,595
Due from reinsurance companies	22,161	23,422
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	(34,499)	(34,499)
Due from related parties (Note 17)	27,118	26,508
Provision for doubtful debts – (Due from related parties) (Note 17)	(26,310)	(26,310)
	<u>311,893</u>	<u>292,011</u>
Other receivables	38,449	38,946
Provision for doubtful debts	(271)	(271)
Deferred acquisition cost	20,884	19,061
Prepaid expenses	5,399	6,455
	<u>376,354</u>	<u>356,202</u>

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

9. Bank balances and cash

9.1 Cash and cash equivalents for statement of cashflows

	31 March 2022 AED'000 (Unaudited)	31 March 2021 AED'000 (Unaudited) (Restated)
Cash on hand	50	50
Bank balances:		
Current accounts with banks	62,444	6,295
	<u>62,494</u>	<u>6,345</u>
Less: Bank overdraft	-	(7,047)
	<u>62,494</u>	<u>(702)</u>
In U.A.E.	60,601	5,626
Outside U.A.E.	1,893	719
	<u>62,494</u>	<u>6,345</u>

9.2 Bank deposits with original maturities of more than three months

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Deposits with original maturities greater than three months	<u>220,714</u>	<u>205,965</u>
In U.A.E.	188,416	172,760
Outside U.A.E.	32,298	33,205
	<u>220,714</u>	<u>205,965</u>

Bank deposits carried interest rates ranging from 0.5% to 8.5% per annum (31 December 2021: 0.15% to 8.5% per annum). Bank deposits of AED 46.4 million (31 December 2021: AED 46.4 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)

For the three months period ended 31 March 2022

10. Share capital

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (2021: 330,939,180 of AED 1 each)	<u>330,939</u>	<u>330,939</u>

11 Reserves

Nature and purpose of reserves

11.1 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 three months period ended 31 March 2022. There were no transfers to statutory reserves as at 31 December 2021 because the Company incurred net losses as at 31 December 2021. The reserve is not available for distribution except in the circumstances stipulated by the law.

11.2 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 utilized for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director. No transfers were made during the three months period ended 31 March 2022 and the year ended 31 December 2021.

11.3 Reinsurance reserve

In accordance with the requirements of CBUAE's Board of Directors Decision No, 23 of 2019 Article 34 of 2019, the Company has transferred AED 744 thousand from accumulated losses to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the three months period ended 31 March 2022 (31 March 2021: Nil). 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.

11.4 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.

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Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

12. Insurance and other payables

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Trade payables	79,002	76,039
Due to insurance and reinsurance companies	129,745	121,457
Reinsurance premium reserve held	28,750	28,906
	<u>237,497</u>	<u>226,402</u>
Other payables:		
Unclaimed dividends	1,988	1,998
Accrued expenses and other payables	49,494	47,068
Lease liabilities	-	32
	<u>288,979</u>	<u>275,500</u>

13. 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 5.3 of this condensed interim financial statement. Movement during the period / year are as follows:

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
As at 1 January	368,887	286,798
Purchase	25,680	108,368
Sales	(11,098)	(58,521)
Other charges	2,517	(2,436)
Change in fair value of the unit linked products	(36,303)	34,678
	<u>349,683</u>	<u>368,887</u>

14. Net earned premium

	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
<i>Gross premiums</i>		
Gross premium written	246,653	250,474
Change in unearned premiums	(23,023)	(29,076)
Change in mathematical reserve	(2,537)	(8,834)
Unit linked investments	(26,821)	(30,486)
Net movement in reserve of unit linked products	36,303	(8,688)
	<u>230,575</u>	<u>173,390</u>

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

14. Net earned premium (continued)

	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited) (Restated)
<i>Reinsurance premiums ceded</i>		
Reinsurance premiums ceded	(148,785)	(156,072)
Change in unearned premiums	19,706	26,375
Change in mathematical reserve	2,342	7,987
Unit linked investments	12,896	15,224
	<u>(113,841)</u>	<u>(106,486)</u>
Net insurance premium revenue	<u>116,734</u>	<u>66,904</u>

15. Basic earnings per share

	Three months period ended 31 March 2022 (Unaudited)	Three months period ended 31 March 2021 (Unaudited)
Profit for the period (AED'000)	14,043	8,121
Weighted average number of shares outstanding during the period ('000)	<u>330,939</u>	<u>330,939</u>
Basic earnings per share (AED)	<u>0.042</u>	<u>0.025</u>

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

16. Segment information

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

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Assets						
Property and equipment	52,466	52,835	17,489	17,611	69,955	70,446
Intangible assets	4,593	5,198	8,219	9,376	12,812	14,574
Right-of-use-assets	119	478	40	159	159	637
Unit linked assets	-	-	349,683	368,887	349,683	368,887
Investment securities	53,928	35,066	15,997	12,822	69,925	47,888
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	592,883	629,558	209,529	201,956	802,412	831,514
Insurance and other receivables	297,748	277,410	78,606	78,792	376,354	356,202
Bank deposits with original maturities of more than three months	124,531	113,086	96,183	92,879	220,714	205,965
Cash and cash equivalents	46,870	68,911	15,624	22,970	62,494	91,881
Total assets	1,179,138	1,188,542	795,370	809,452	1,974,508	1,997,994
Liabilities						
Provision for employees' end of service benefit	10,167	9,655	3,389	3,218	13,556	12,873
Insurance contract liabilities	831,417	858,287	241,338	246,962	1,072,755	1,105,249
Insurance and other payables	229,492	218,479	59,487	57,021	288,979	275,500
Payables to policyholders of unit-linked products	-	-	349,683	368,887	349,683	368,887
Total liabilities	1,071,076	1,086,421	653,897	676,088	1,724,973	1,762,509

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

16. Segment information (continued)

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)	Three months period ended 31 March 2022 AED'000 (Unaudited)	Three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Underwriting income						
Gross written premiums	181,890	190,362	64,763	60,112	246,653	250,474
Reinsurance premiums ceded	(113,712)	(126,867)	(35,073)	(29,205)	(148,785)	(156,072)
Net retained premiums	68,178	63,495	29,690	30,907	97,868	94,402
Net change in unearned premium, mathematical reserve and policyholders' reserve	(3,259)	(2,513)	22,125	(24,985)	18,866	(27,498)
Net earned premium	64,919	60,982	51,815	5,922	116,734	66,904
Gross commission earned	20,590	24,266	331	2,742	20,921	27,008
Total underwriting income	85,509	85,248	52,146	8,664	137,655	93,912
Underwriting expenses						
Net claims incurred	(33,664)	(28,465)	(2,745)	(4,774)	(36,409)	(33,239)
Commission incurred	(14,271)	(17,402)	(3,961)	(6,309)	(18,232)	(23,711)
Administrative expenses	(16,620)	(14,376)	(7,853)	(7,675)	(24,473)	(22,051)
Other operational costs related to underwriting activities	(7,189)	(9,735)	(5,047)	(2,421)	(12,236)	(12,156)
Net movement in fair value of investment held for unit linked products	-	-	(36,303)	8,688	(36,303)	8,688
Total underwriting expenses	(71,744)	(69,978)	(55,909)	(12,491)	(127,653)	(82,469)
Total underwriting profit	13,765	15,270	(3,763)	(3,827)	10,002	11,443
Net investment gain/(loss)					4,041	(343)
Provision for impairment					-	(4)
Directors' remuneration					-	(2,975)
Profit for the period					14,043	8,121

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

For the three months period ended 31 March 2022

17. 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:

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
<i>Balances with former major shareholder</i>		
Premium receivable	27,118	26,508
Allowance for doubtful receivables	<u>(26,310)</u>	<u>(26,310)</u>
Net premium receivables	<u>808</u>	<u>198</u>
Gross outstanding claims	<u>441</u>	<u>444</u>
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 years	<u>(35,770)</u>	<u>(35,770)</u>
Advance paid for purchase of real estate properties *	36,500	36,500
Provision on advance paid for purchase of real estate properties	<u>(36,500)</u>	<u>(36,500)</u>
	<u>-</u>	<u>-</u>

The amounts outstanding are unsecured, interest free and repayable on demand. No guarantees have been given to the 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 financial statements for the year ended 31 December 2020. The said asset represents 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 received 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 assets. 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 Directors 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 the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

17. Related party balances and transactions (continued)

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

	Three months period ended 31 March 2022	Three months period ended 31 March 2021
	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)
Transactions with former major shareholder		
Premiums written	876	927
Claims paid	137	417
Compensation of key management personnel		
Short-term benefits	600	600
Long-term benefits	50	50
Directors' remuneration	-	2,975

The Board of Director's fees for the period ended 31 March 2021 represents fees paid to the previous Board of Directors on which AED 1.2 million has already recovered subsequently and a recovery legal action has been initiated for the remaining balance, based on Shareholders' resolution on 30 September 2021.

18. Seasonality of results

Dividend income amounted to AED 211 thousand and AED nil thousand for the three months periods ended 31 March 2022 and 31 March 2021, 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 three months period ended 31 March 2022 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 2022.

19. Commitments and contingent liabilities

	31 March 2022	31 December 2021
	AED'000 (Unaudited)	AED'000 (Audited)
Letters of guarantee*	13,000	15,790

*Includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CB UAE (Note 6).

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 financial statements.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

20. 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.

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.

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 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

20. Fair value measurement (continued)

Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis

Some of the Company's financial assets and liabilities 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 and liabilities are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 March 2022 (Unaudited) AED'000	31 December 2021 (Audited) AED'000				
Financial assets measured at FVTPL						
Quoted equity securities	42,737	20,238	Level 1	Quoted bid prices in an active market.	None	Not applicable
Quoted bonds	16,055	16,450	Level 1	Prices as per the portfolio bank statement	None	Not applicable
Unquoted equity securities	3,745	3,819	Level 3	Based on net assets value of underlying investments and last traded price	Yes	Increase in net asset value increases fair value
Investment in funds	7,364	7,364	Level 2	Quoted prices in secondary market	None	Not applicable
Investments held on behalf of policyholders' unit linked products at FVTPL	211,723	231,059	Level 2	Quoted prices in secondary market	None	Not applicable
Due from reinsurers towards policyholders of unit linked products	121,214	124,474	Level 2	Quoted prices in secondary market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity securities	24	17	Level 1	Quoted bid prices in an active market	None	Not applicable
Financial liabilities measured at FVTPL						
Unit linked liabilities	332,937	355,533	Level 2	Quoted prices in secondary market	None	Not applicable

There were no transfers between levels during the period. There are no other financial liabilities apart from the liabilities disclosed above which should be categorized under any levels in the above table.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

21. Comparative information

Certain comparative figures have been reclassified in order to conform to current year's presentation. However, there is no effect on previously reported total equity, profit for the year and the net change in cash and cash equivalents.

A- Restatement details in the condensed interim statement of income are below.

	As previously reported for the period ended 31 March 2021 AED'000 (Unaudited)	Reclassification AED'000	Restated for the three months period ended 31 March 2021 AED'000 (Unaudited)
Gross written premiums	250,474	-	250,474
Reinsurance premiums ceded	(145,311)	(10,761)	(156,072)
Net retained premiums	105,163	(10,761)	94,402
Net change in unearned premiums, mathematical reserve and policyholders' reserve	(26,336)	(1,162)	(27,498)
Net earned premium	78,827	(11,923)	66,904
Gross commission earned	24,215	2,793	27,008
Total underwriting income	103,042	(9,130)	93,912
Gross claims incurred	(73,862)	2,239	(71,623)
Insurance claims recovered from reinsurers	40,623	(2,238)	38,385
Net claims incurred	(33,239)	1	(33,238)
Commission incurred	(23,404)	(307)	(23,711)
Administrative expenses	(19,926)	(2,125)	(22,051)
Other operational costs related to underwriting activities	(10,670)	(1,487)	(12,157)
Net movement in fair value of investment held for unit linked products	(3,235)	11,923	8,688
Total underwriting expenses	(90,474)	8,005	(82,469)
UNDERWRITING PROFIT	12,568	(1,125)	11,443
Interest income	1,630	-	1,630
Other net investment loss	(343)	(1,630)	(1,973)
Provision for impairment	(4)	-	(4)
Directors' remuneration	(2,975)	-	(2,975)
General and administrative expenses	(2,755)	2,755	-
PROFIT FOR THE PERIOD	8,121	-	8,121
Basic and diluted earnings per share (AED)	0.025	-	0.025

Union Insurance Company P.J.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

21. Comparative information (continued)

B- Restatement details in the condensed interim statement of cashflows are below:

	As previously reported for the period ended 31 March 2021 AED'000 (Unaudited)	Reclassification AED'000	Restated for the three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Cash flows from operating activities			
Profit for the period	8,121	-	8,121
Adjustments for:			
Depreciation and amortisation	1,782	1,000	2,782
Gain on disposal of investments at FVTPL	(707)	-	(707)
Unrealised (gain)/loss on investments at FVTPL	2,428	-	2,428
Provision for impairment	-	4	4
Interest income	(1,630)	-	(1,630)
Interest on lease liabilities	-	43	43
Interest on margin trading account	9	-	9
Provision for employees' end of service benefits	1,014	-	1,014
	11,017	1,047	12,064
Change in working capital			
Reinsurance contract assets	(19,247)	2,238	(17,009)
Insurance and other receivables	(25,163)	(434)	(25,597)
Insurance contract liabilities	22,626	(2,238)	20,388
Insurance and other payables	29,677	(22,515)	7,162
Unit linked assets	-	(23,950)	(23,950)
Unit linked liabilities	-	23,950	23,950
	18,910	(21,902)	(2,992)
Employees' end of service indemnity paid	(707)	-	(707)
Net cash generated from/(used in) operating activities	18,203	(21,902)	(3,699)
Cash flows from investing activities			
Purchase of property and equipment	(643)	-	(643)
Purchase of investments held at FVTPL (excluding unit linked assets)	(4,912)	-	(4,912)
Purchase of policy holders' of unit linked products	(26,024)	26,024	-
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)	6,710	-	6,710
Interest received	1,630	-	1,630
Increase in fixed deposit with banks with maturity greater than three months	(8,001)	3,981	(4,020)
Net cash used in investing activities	(31,240)	30,005	(1,235)

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Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the three months period ended 31 March 2022

21. Comparative information (continued)

C- Restatement details in the condensed interim statement of cashflows (continued)

	As previously reported for the period ended 31 March 2021 AED'000 (Unaudited)	Reclassification AED'000	Restated for the three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	(9)	-	(9)
Interest paid on lease liabilities	-	(274)	(274)
Interest paid on margin trading account	-	(43)	(43)
Net cash used in financing activities	(9)	(317)	(326)
Net decrease in cash and cash equivalents	(13,046)	7,786	(5,260)
Cash and cash equivalents at the beginning of the period	48,244	(43,686)	4,558
Cash and cash equivalents at the end of the period	35,198	(35,900)	(702)

D- Restatement details in the condensed interim changes in equity

	As previously reported as at 1 January 2021 AED'000 (Unaudited)	Restatement AED'000	Restated for the three months period ended 31 March 2021 AED'000 (Unaudited) (Restated)
Equity			
Accumulated losses*	(34,513)	(95,104)	(129,617)
Total equity	317,148	(95,104)	222,044

*The restatement on opening balances for accumulated losses as at 1 January 2021 was related to:

1 - Recognition of full impairment to advances paid for purchase of real estate properties consisting of 60 residential units in a single building and a plot of land with integrated infrastructure. However, since the seller of the asset did not perform related obligation, the possession of the properties never occurred to the Company. Accordingly, the balance was fully impaired as an advance, that was classified as investment properties amounted to AED 72,270 thousand.

2 - Recognition of full impairment to free hold land obtained through exchange transaction of occurred on 15 July 2018. The initial exchanged asset was amounting to AED 82,045, and the received asset was amounting to AED 59,211 with a net impact, a reduction to property and equipment amounted to AED 22,834.

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Notes to the condensed interim financial statements (continued)
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22. Significant event

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the condensed interim financial statements of the Company for the three months period ended 31 March 2022. Management will commence the process of assessing the implications of this federal corporate tax on the Company.

23. Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorised for issue on 13 May 2022.