

Union Insurance Company P.S.C.

Condensed interim financial statements
for the six month period ended 30 June 2016

Union Insurance Company P.S.C.

Condensed interim financial statements *for the six month period ended 30 June 2016*

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Independent Auditors' Report on Review of Condensed Interim Financial Information

The Shareholders

Union Insurance Company P.S.C.

Introduction

We have reviewed the accompanying 30 June 2016 condensed interim financial information of Union Insurance Company P.S.C. ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2016;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2016;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2016;
- the condensed interim statement of changes in shareholder's equity for the six-month period ended 30 June 2016;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2016; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain



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Condensed Interim Financial Information
30 June 2016*

Scope of Review (continued)

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 30 June 2016 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

A handwritten signature in blue ink, appearing to read 'KPMG'.

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793
14 August 2016

Union Insurance Company P.S.C.

Condensed interim statement of financial position

as at 30 June 2016

		(Un-audited) 30 June 2016	(Audited) 31 December 2015
	Note	AED	AED
ASSETS			
Property and equipment		13,659,254	14,267,066
Intangible assets		3,230,362	3,188,665
Investment properties		72,890,000	72,890,000
Investment securities	8	271,860,675	253,133,031
Development work-in-progress	7	80,950,000	80,950,000
Statutory deposit		10,000,000	10,000,000
Reinsurance contract assets	11	364,337,689	243,698,902
Insurance and other receivables		457,969,564	340,567,588
Bank balances and cash	12	98,073,417	94,022,832
Total assets		1,372,970,961	1,112,718,084
LIABILITIES			
Insurance contract liabilities	11	600,839,149	421,805,638
Insurance and other payables	10	399,237,473	316,202,879
Payable to policyholders' of unit-linked products	20	48,803,097	30,659,532
Provision for employees' end of service benefits		2,415,370	2,069,350
Total liabilities		1,051,295,089	770,737,399
EQUITY			
Share capital		330,939,180	330,939,180
Statutory reserve		11,076,401	11,076,401
Special reserve		11,076,401	11,076,401
Fair value reserve		(23,526,549)	(7,614,194)
Accumulated losses		(7,889,561)	(3,497,103)
Total equity		321,675,872	341,980,685
Total liabilities and equity		1,372,970,961	1,112,718,084

The notes on pages 8 to 18 form an integral part of these condensed interim financial statements.

These condensed interim financial statements were authorised for issue and approved by the board on 14 August 2016 and signed on its behalf by :

Mohammed Hareb Al Mazroei
Chairman

Abdul Mutaleb M H M Aljaede
Managing Director and Chief
Executive Officer

Independent auditors' review report is set out on page 1 and 2.

Union Insurance Company P.S.C.

Condensed interim statement of profit or loss

for the six month period ended 30 June 2016

	(Un-audited) For the three month period ended 30 June 2016 AED	(Un-audited) For the three month period ended 30 June 2015 AED	(Un-audited) For the six month period ended 30 June 2016 AED	(Un-audited) For the six month period ended 30 June 2015 AED
Gross written premium	200,311,545	158,840,419	442,460,192	331,209,691
Reinsurance ceded	(86,385,135)	(85,285,641)	(195,641,503)	(168,583,559)
Net retained premium	113,926,410	73,554,778	246,818,689	162,626,132
Net change in unearned premium and policyholders' reserve	(21,827,929)	(9,282,414)	(61,416,260)	(32,419,118)
Net earned premium	92,098,481	64,272,364	185,402,429	130,207,014
Gross claims incurred	11.1 (140,409,327)	(85,870,117)	(298,109,831)	(142,719,647)
Insurance claims recovered from reinsurers	11.1 89,775,963	49,781,398	189,390,633	71,400,516
Net claims incurred	(50,633,364)	(36,088,719)	(108,719,198)	(71,319,131)
Gross commission income	15,818,032	14,265,362	33,494,620	25,542,619
Less: commission incurred	(14,787,306)	(8,161,233)	(31,388,773)	(15,819,765)
Net commission earned	1,030,726	6,104,129	2,105,847	9,722,854
Other operational costs related to underwriting activities	(10,514,903)	(8,492,282)	(20,445,355)	(15,373,240)
Net movement in fair value of investments held for unit linked products	20 3,843	506,415	(975,472)	80,446
Underwriting profit	31,984,783	26,301,907	57,368,251	53,317,943
Net investment (loss) / income	17 (14,110,808)	1,830,507	(19,551,529)	(23,355,845)
General and administrative expenses	18 (22,319,196)	(18,609,879)	(42,209,180)	(37,366,260)
(Loss) / profit for the period	(4,445,221)	9,522,535	(4,392,458)	(7,404,162)
Basic and diluted (loss) / earnings per share	(0.013)	0.029	(0.013)	(0.022)

The notes on pages 8 to 18 form an integral part of these condensed interim financial statements.

Independent auditors' review report is set out on page 1 and 2.

Union Insurance Company P.S.C.

Condensed interim statement of profit or loss and other comprehensive income

for the six month period ended 30 June 2016

	(Un-audited) For the three month period ended 30 June 2016 AED	(Un-audited) For the three month period ended 30 June 2015 AED	(Un-audited) For the six month period ended 30 June 2016 AED	(Un-audited) For the six month period ended 30 June 2015 AED
(Loss) / profit for the period	(4,445,221)	9,522,535	(4,392,458)	(7,404,162)
Other comprehensive (loss) / income				
<i>Items that will not be reclassified to profit or loss :</i>				
Net change in fair value of investments at fair value through other comprehensive income	(9,905,368)	(91,437)	(15,912,355)	(7,529,797)
<i>Items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	-
Total other comprehensive (loss) / income for the period	(9,905,368)	(91,437)	(15,912,355)	(7,529,797)
Total comprehensive (loss) / income for the period	(14,350,589)	9,431,098	(20,304,813)	(14,933,959)

The notes on pages 8 to 18 form an integral part of these condensed interim financial statements.

Independent auditors' review report is set out on page 1 and 2.

Union Insurance Company P.S.C.

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

for the six month period ended 30 June 2016

	Attributable to equity shareholders of the Company					Total
	Share capital	Statutory reserve	Special reserve	Fair value reserve	Retained earnings/ (Accumulated losses)	
	AED	AED	AED	AED	AED	AED
Balance at 1 January 2015	330,939,180	11,076,401	11,076,401	(14,964,755)	19,308,963	357,436,190
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(7,404,162)	(7,404,162)
Other comprehensive (loss) / income for the period						
Net change in fair value of investments at FVTOCI	-	-	-	(7,529,797)	-	(7,529,797)
Net change in fair value of investments at FVTOCI on disposal	-	-	-	18,073,950	(18,073,950)	-
Total other comprehensive / (loss) / income for the period	-	-	-	10,544,153	(18,073,950)	(7,529,797)
Total comprehensive (loss) / income for the period	-	-	-	10,544,153	(25,478,112)	(14,933,959)
As at 30 June 2015	330,939,180	11,076,401	11,076,401	(4,420,602)	(6,169,149)	342,502,231
Balance at 1 January 2016	330,939,180	11,076,401	11,076,401	(7,614,194)	(3,497,103)	341,980,685
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(4,392,458)	(4,392,458)
Other comprehensive loss for the period						
Net change in fair value of investments at FVTOCI	-	-	-	(15,912,355)	-	(15,912,355)
Total other comprehensive loss for the period	-	-	-	(15,912,355)	-	(15,912,355)
Total comprehensive loss for the period	-	-	-	(15,912,355)	(4,392,458)	(20,304,813)
As at 30 June 2016	330,939,180	11,076,401	11,076,401	(23,526,549)	(7,889,561)	321,675,872

The notes on pages 8 to 18 form an integral part of these condensed interim financial statements.

Independent auditors' review report is set out on page 1 and 2.

Union Insurance Company P.S.C.
Condensed interim statement of cash flows
for the six month period ended 30 June 2016

	<i>Note</i>	(Un-audited) For the six month period ended 30 June 2016 AED	(Un-audited) For the six month period ended 30 June 2015 AED
Cash flows from operating activities			
Loss for the period		(4,392,458)	(7,404,162)
<i>Adjustment for:</i>			
Depreciation and amortisation		1,704,271	1,992,283
Gain on disposal of investments at FVTPL		(39,060)	(766,997)
Unrealised loss on investments at FVTPL		16,718,247	22,601,934
Interest income		(874,093)	(924,437)
Dividend income		(32,475)	-
(Gain) / loss on sale of property and equipment		(24,785)	58,938
Interest expense on overdraft		3,182,970	1,932,159
Provision for employees' end of service benefits		346,020	-
		<u>16,588,637</u>	<u>17,489,718</u>
Increase in insurance and other receivables (including related parties)		(117,401,976)	(70,326,384)
Increase in reinsurance contract assets		(120,638,787)	(43,560,551)
Increase in insurance contract liabilities		179,033,511	65,631,352
Increase in insurance and other payables		83,034,594	18,603,786
Employees' end of service benefits paid		-	(111,380)
Net cash generated from / (used in) operating activities		<u>40,615,979</u>	<u>(12,273,459)</u>
Cash flows from investing activities			
Purchase of property and equipment		(1,163,371)	(2,039,098)
Proceeds from sale of property and equipment		50,000	-
Purchase of investments at FVTPL		(40,635,041)	(181,550,606)
Proceeds from disposal of investments at FVTPL		7,459,420	156,612,489
Proceeds from disposal of investments at FVTOCI		-	20,935,167
Interest received		874,093	924,437
Dividend received		32,475	-
Decrease / (increase) in fixed deposit with banks with maturity greater than three months		33,498,745	(3,190,944)
Net cash generated from / (used in) investing activities		<u>116,321</u>	<u>(8,308,555)</u>
Cash flows from financing activities			
Interest paid on overdraft		(3,182,970)	(1,932,159)
Net cash used in financing activities		<u>(3,182,970)</u>	<u>(1,932,159)</u>
Net increase / (decrease) in cash and cash equivalents		37,549,330	(22,514,173)
Cash and cash equivalents at the beginning of the period		<u>1,107,242</u>	<u>6,269,004</u>
Cash and cash equivalents at the end of the period	<i>13</i>	<u><u>38,656,572</u></u>	<u><u>(16,245,169)</u></u>

The notes on pages 8 to 18 form an integral part of these condensed interim financial statements.

Independent auditors' review report is set out on page 1 and 2.

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

1. Legal status and principal activities

Union Insurance Company P.S.C. - Ajman (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Ajman Municipality. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 67. The address of the Company's registered corporate office is Union Insurance Building, P. O. Box 1225, Ajman, United Arab Emirates.

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 Ajman and Branch Offices in Abu Dhabi, Dubai, Sharjah and Ras Al Khaimah.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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

Further, under Federal Law No 6 of 2007, relating to Establishment of Insurance Authority and Regulation of Insurance Operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the Insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for the following which are measured at fair value :

- i) financial instruments at fair value through profit or loss ("FVTPL");
- ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
- iii) investment properties.

The accounting policies, presentation and methods in these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015.

c) Functional and presentation currency

These 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.

d) Use of estimates and judgments

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

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

2. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2015.

3. Summary of significant accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2015.

4. Financial risk management

Aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2015.

5. Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period.

6. Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities.

At 30 June 2016 (Unaudited)

<u>Financial assets</u>	FVTPL AED	FVTOCI AED	Amortised Cost AED	Total AED
Investment securities	215,520,653	56,340,022	-	271,860,675
Insurance and other receivables	-	-	419,453,272	419,453,272
Statutory deposit	-	-	10,000,000	10,000,000
Bank balances and cash	-	-	98,073,417	98,073,417
	<u>215,520,653</u>	<u>56,340,022</u>	<u>527,526,689</u>	<u>799,387,364</u>
<u>Financial liabilities</u>				
Insurance and other payables	-	-	399,237,473	399,237,473
Payable to policyholders' of unit-linked products	48,803,097	-	-	48,803,097
	<u>48,803,097</u>	<u>-</u>	<u>399,237,473</u>	<u>448,040,570</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

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

At 31 December 2015 (Audited)

<u>Financial assets</u>	FVTPL AED	FVTOCI AED	Amortised Cost AED	Total AED
Investment securities	180,880,654	72,252,377	-	253,133,031
Insurance and other receivables	-	-	316,056,643	316,056,643
Statutory deposit	-	-	10,000,000	10,000,000
Bank balances and cash	-	-	94,022,832	94,022,832
	<u>180,880,654</u>	<u>72,252,377</u>	<u>420,079,475</u>	<u>673,212,506</u>
<u>Financial liabilities</u>				
Insurance and other payables	-	-	316,202,879	316,202,879
Payable to policyholders' of unit-linked products	30,659,532	-	-	30,659,532
	<u>30,659,532</u>	<u>-</u>	<u>316,202,879</u>	<u>346,862,411</u>

7. Development work-in-progress

Development work-in-progress represents payments made for acquiring 10% investment in the Meydan Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.S.C.), a related party who is acting as custodian of the Company's share of investment in the project.

The title deed of the project has been registered in the name of GGICO Real Estate Development L.L.C., a related party. At the end of the reporting period, work on the project has not been started.

8. Investment securities

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Financial assets at FVTPL (8.1)	215,520,653	180,880,654
Financial assets at FVTOCI (8.2)	56,340,022	72,252,377
	<u>271,860,675</u>	<u>253,133,031</u>

8.1 Financial assets at FVTPL

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Quoted securities in U.A.E	163,485,605	146,962,072
Quoted equity securities outside U.A.E	269,393	310,771
Unquoted equity securities outside U.A.E	2,962,558	2,948,279
Investments held on behalf of policyholders' of unit linked products	48,803,097	30,659,532
	<u>215,520,653</u>	<u>180,880,654</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

8. Financial assets (continued)

8.2 Financial assets at FVTOCI

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Quoted equity securities in U.A.E.	56,040,022	71,952,377
Unquoted equity securities in U.A.E.	300,000	300,000
	<u>56,340,022</u>	<u>72,252,377</u>

8.3 Financial assets - geographic concentration

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
- Within U.A.E.	268,628,724	249,873,981
- Outside U.A.E	3,231,951	3,259,050
	<u>271,860,675</u>	<u>253,133,031</u>

9. Fair value hierarchy

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised :

At 30 June 2016 (Unaudited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>Financial assets</u>				
FVTPL	212,558,095	-	2,962,558	215,520,653
FVTOCI	56,040,022	-	300,000	56,340,022
	<u>268,598,117</u>	-	3,262,558	271,860,675
<u>Non financial assets</u>				
Investment properties	-	-	72,890,000	72,890,000
	<u>268,598,117</u>	-	<u>76,152,558</u>	<u>344,750,675</u>
At 31 December 2015 (Audited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>Financial assets</u>				
FVTPL	177,932,375	-	2,948,279	180,880,654
FVTOCI	71,952,377	-	300,000	72,252,377
	<u>249,884,752</u>	-	3,248,279	253,133,031
<u>Non financial assets</u>				
Investment properties	-	-	72,890,000	72,890,000
	<u>249,884,752</u>	-	<u>76,138,279</u>	<u>326,023,031</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

10. Insurance and other payables

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Trade payables	174,373,575	130,677,585
Due to insurance and reinsurance companies	118,905,337	95,522,563
Premium reserve withheld	31,232,237	36,069,417
	<u>324,511,149</u>	<u>262,269,565</u>
Unclaimed dividends	2,088,500	2,088,500
Accrued expenses and others	53,500,680	29,556,280
Bank overdraft	19,137,144	22,288,534
	<u>399,237,473</u>	<u>316,202,879</u>

11. Insurance contract liabilities and reinsurance contract assets

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Gross insurance contract liabilities		
Claims reported unsettled	243,805,712	168,597,429
Claims incurred but not reported	69,438,381	42,534,345
Unearned premiums	287,595,056	210,673,864
Gross insurance contract liabilities	<u>600,839,149</u>	<u>421,805,638</u>
Reinsurer's contract assets		
Claims reported unsettled	(197,049,850)	(123,180,702)
Claims incurred but not reported	(29,573,281)	(14,301,415)
Unearned premiums	(137,714,558)	(106,216,785)
Total reinsurers' contract assets	<u>(364,337,689)</u>	<u>(243,698,902)</u>
Net		
Claims reported unsettled	46,755,862	45,416,727
Claims incurred but not reported	39,865,100	28,232,930
Unearned premiums	149,880,498	104,457,079
	<u>236,501,460</u>	<u>178,106,736</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

11.1 Insurance contract liabilities and reinsurance contract assets

Movements in the insurance contract liabilities and reinsurance contract assets during the period were as follows:

	Period ended 30 June 2016			Period ended 30 June 2015		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
<i>Outstanding claims at end of period</i>						
Notified claims	245,467,466	(196,820,804)	48,646,662	103,805,655	(72,917,539)	30,888,116
Incurred but not reported	47,522,111	(22,108,199)	25,413,912	13,575,942	(7,177,698)	6,398,244
	<u>292,989,577</u>	<u>(218,929,003)</u>	<u>74,060,574</u>	<u>117,381,597</u>	<u>(80,095,237)</u>	<u>37,286,360</u>
Claims settled in the period	209,426,153	(100,249,622)	109,176,531	137,552,513	(57,570,638)	79,981,875
<i>Outstanding claims at beginning of period</i>						
Notified claims	(168,597,429)	123,180,702	(45,416,727)	(95,770,550)	59,472,031	(36,298,519)
Incurred but not reported	(42,534,345)	14,301,417	(28,232,928)	(13,016,295)	6,793,328	(6,222,967)
	<u>291,283,956</u>	<u>(181,696,506)</u>	<u>109,587,450</u>	<u>146,147,265</u>	<u>(71,400,516)</u>	<u>74,746,749</u>
Increase in recoveries	6,825,875	(7,694,127)	(868,252)	(3,427,618)	-	(3,427,618)
Claims incurred	<u>298,109,831</u>	<u>(189,390,633)</u>	<u>108,719,198</u>	<u>142,719,647</u>	<u>(71,400,516)</u>	<u>71,319,131</u>
Unearned premium						
Total at the end of the period	<u>287,595,056</u>	<u>(137,714,558)</u>	<u>149,880,498</u>	<u>186,387,812</u>	<u>(93,813,576)</u>	<u>92,574,236</u>
Release during the period	210,673,864	(106,216,785)	104,457,079	243,424,412	(123,544,249)	119,880,163
Increase during the period	(287,595,056)	137,714,558	(149,880,498)	(186,387,812)	93,813,576	(92,574,236)
Net increase during the period	<u>(76,921,192)</u>	<u>31,497,773</u>	<u>(45,423,419)</u>	<u>57,036,600</u>	<u>(29,730,673)</u>	<u>27,305,927</u>
Total at the beginning of the period	<u>210,673,864</u>	<u>(106,216,785)</u>	<u>104,457,079</u>	<u>243,424,412</u>	<u>(123,544,249)</u>	<u>119,880,163</u>

Union Insurance Company P.S.C.

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for the six month period ended 30 June 2016

12. Bank balances and cash

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Cash in hand	<u>102,500</u>	<u>102,500</u>
Bank balances:		
Current accounts	15,085,239	11,188,516
Fixed deposits	<u>82,885,678</u>	<u>82,731,816</u>
	<u>97,970,917</u>	<u>93,920,332</u>
	<u>98,073,417</u>	<u>94,022,832</u>
Bank balances:		
In U.A.E.	90,977,790	88,653,795
In other G.C.C. countries	-	-
Outside UAE & G.C.C. countries	<u>6,993,127</u>	<u>5,266,537</u>
	<u>97,970,917</u>	<u>93,920,332</u>

Fixed deposit carried interest ranging from 1% to 6.1% per annum (2015: 1% to 6.1% per annum). Fixed deposits of AED 62 million (2015: 62 million) have been pledged as security against the overdraft facility.

13. Cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Bank balances and cash (refer note 12)	98,073,417	94,022,832
Bank fixed deposits with maturity greater than three months	(40,279,701)	(70,627,056)
Bank overdraft	<u>(19,137,144)</u>	<u>(22,288,534)</u>
	<u>38,656,572</u>	<u>1,107,242</u>

14. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 - (Revised).

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

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
Due from policyholders	34,231,839	31,556,705
Equity shares held	-	12,000,233
Gross outstanding claims	14,790,652	3,516,976
Investment properties	<u>72,890,000</u>	<u>72,890,000</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given and no expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

14. Related party transactions (continued)

Transactions

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

	For the six month period ended 30 June	
	2016 (Unaudited) AED	2015 (Unaudited) AED
Gross premiums	4,929,033	6,551,825
Claims paid	<u>3,587,808</u>	<u>1,746,702</u>

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

Compensation of key management personnel

Short-term benefits	1,200,000	1,200,000
Long-term benefits	<u>69,424</u>	<u>69,425</u>

15. Contingent liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Letters of guarantee*	<u>37,979,577</u>	<u>34,079,577</u>

*Includes AED 10,000,000 (2015: AED 10,000,000) issued in favour of Insurance Authority of U.A.E.

16. Capital commitments

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Commitment for the construction of development properties	<u>54,978,688</u>	<u>54,978,688</u>

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

17. Net investment loss

	For the six month period ended 30 June	
	2016 (Unaudited) AED	2015 (Unaudited) AED
Interest on deposits	874,093	924,437
Dividend income	32,475	-
Realised gains on investments	39,060	766,997
Unrealised losses on investments at fair value through profit and loss	(16,718,247)	(22,601,934)
Interest on overdraft (margin account)	(3,182,970)	(1,932,159)
Others	<u>(595,940)</u>	<u>(513,186)</u>
	<u>(19,551,529)</u>	<u>(23,355,845)</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

18. General and administrative expenses

	For the six month period ended 30 June	
	2016 (Unaudited) AED	2015 (Unaudited) AED
Staff costs	29,479,100	24,879,936
Depreciation and amortization	1,704,271	1,992,283
Other	11,025,809	10,494,041
	<u>42,209,180</u>	<u>37,366,260</u>

19. Segment information

Operating segment information

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

	Six month period ended 30 June (Unaudited)					
	General insurance		Life assurance		Total	
	2016 AED	2015 AED	2016 AED	2015 AED	2016 AED	2015 AED
Gross written premium	315,848,243	257,307,121	126,611,949	73,902,570	442,460,192	331,209,691
Reinsurance ceded	(145,299,915)	(127,669,851)	(50,341,588)	(40,913,708)	(195,641,503)	(168,583,559)
Net retained premium	170,548,328	129,637,270	76,270,361	32,988,862	246,818,689	162,626,132
Net change in unearned premium and policyholders' reserve	(42,130,080)	(24,759,129)	(19,286,180)	(7,659,989)	(61,416,260)	(32,419,118)
Net earned premium	128,418,248	104,878,141	56,984,181	25,328,873	185,402,429	130,207,014
Net claims incurred	(100,701,119)	(65,682,224)	(8,018,079)	(5,636,907)	(108,719,198)	(71,319,131)
Net commission earned / incurred	10,896,894	11,100,749	(8,791,047)	(1,377,895)	2,105,847	9,722,854
Other operational costs related to underwriting activities	(15,331,377)	(11,645,922)	(5,113,978)	(3,727,318)	(20,445,355)	(15,373,240)
Movement in fair value of investment held for unit linked products	-	-	(975,472)	80,446	(975,472)	80,446
Total underwriting expenses	<u>(105,135,602)</u>	<u>(66,227,397)</u>	<u>(22,898,576)</u>	<u>(10,661,674)</u>	<u>(128,034,178)</u>	<u>(76,889,071)</u>
Total underwriting profit	<u>23,282,646</u>	<u>38,650,744</u>	<u>34,085,605</u>	<u>14,667,199</u>	<u>57,368,251</u>	<u>53,317,943</u>
Net investment loss					(19,551,529)	(23,355,845)
General and administrative expenses					(42,209,180)	(37,366,260)
Loss for the period					<u>(4,392,458)</u>	<u>(7,404,162)</u>

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

for the six month period ended 30 June 2016

19 Segment information (continued)

Operating segment information

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

	General insurance		Life insurance		Total	
	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
ASSETS						
Property and equipment	10,244,440	9,903,133	3,414,814	4,363,933	13,659,254	14,267,066
Intangible assets	2,422,772	3,188,665	807,590	-	3,230,362	3,188,665
Investment properties	37,500,000	37,500,000	35,390,000	35,390,000	72,890,000	72,890,000
Investment securities	192,201,013	199,880,649	79,659,662	53,252,382	271,860,675	253,133,031
Development work in progress	80,950,000	80,950,000	-	-	80,950,000	80,950,000
Statutory deposit	6,000,000	6,000,000	4,000,000	4,000,000	10,000,000	10,000,000
Reinsurance contract assets	314,650,177	208,555,338	49,687,512	35,143,564	364,337,689	243,698,902
Insurance and other receivables	328,050,016	256,960,202	129,919,548	83,607,386	457,969,564	340,567,588
Bank balances and cash	32,413,986	37,848,382	65,659,431	56,174,450	98,073,417	94,022,832
Total assets	1,004,432,404	840,786,369	368,538,557	271,931,715	1,372,970,961	1,112,718,084
LIABILITIES						
Insurance contract liabilities	533,199,887	375,176,242	67,639,262	46,629,396	600,839,149	421,805,638
Insurance and other payables	290,791,898	258,510,630	108,445,575	57,692,249	399,237,473	316,202,879
Payable to policyholders' of unit-linked products	-	-	48,803,097	30,659,532	48,803,097	30,659,532
Provision for employees' end of service benefits	1,811,527	1,552,012	603,843	517,338	2,415,370	2,069,350
Total liabilities	825,803,312	635,238,884	225,491,777	135,498,515	1,051,295,089	770,737,399
EQUITY						
Share capital	-	-	-	-	330,939,180	330,939,180
Statutory reserve	-	-	-	-	11,076,401	11,076,401
Special reserve	-	-	-	-	11,076,401	11,076,401
Fair value reserve	-	-	-	-	(23,526,549)	(7,614,194)
Accumulated losses	-	-	-	-	(7,889,561)	(3,497,103)
Total equity	-	-	-	-	321,675,872	341,980,685
Total liabilities and equity	-	-	-	-	1,372,970,961	1,112,718,084

Union Insurance Company P.S.C.

Notes to the condensed interim financial statements

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20. Payable to policyholders' of unit linked products

The Company issued unit linked policies which has both the risk and investment component. The investment portion is invested on behalf of the policyholders as disclosed in note 8.1 of these financial statements.

Movement during the period :

	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
As at 1 January	30,659,532	6,554,831
Amount invested by policyholders net of allocation charges	19,119,037	25,268,179
Change in fair value	(975,472)	(1,163,478)
	<u>48,803,097</u>	<u>30,659,532</u>

21. Comparative figures

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these condensed interim financial statements.