

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

**Condensed interim financial statements (Unaudited)  
For the six months period ended 30 June 2023**

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

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## Independent Auditor's 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 30 June 2023 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 six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Accounting Standard 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 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.

  
**GRANT THORNTON**  
Farouk Mohamed  
Registration No: 86

Sharjah, 14 August 2023



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

**Condensed interim statement of financial position**  
**As at 30 June 2023**

	Notes	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) Restated	1 January 2022 AED'000 (Unaudited) Restated
<b>Assets</b>				
Property and equipment	4	66,259	66,929	70,446
Intangible assets		5,772	8,723	14,574
Right-of-use-assets		5,363	6,861	637
Unit linked assets	5.3	392,294	349,613	368,887
Investment securities	5	71,034	76,779	47,888
Statutory deposit	6	10,000	10,000	10,000
Reinsurance contract assets	7	562,904	623,899	666,186
Insurance contract assets	7	62,476	8,070	2,293
Other receivables	8	45,850	47,131	45,400
Bank deposits with original maturities of more than three months	9	267,684	68,888	205,965
Cash and cash equivalents	10	39,779	205,667	91,881
<b>Total assets</b>		<b>1,529,415</b>	<b>1,472,560</b>	<b>1,524,157</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	11	330,939	330,939	330,939
Statutory reserve	12.1	18,020	18,020	16,187
Special reserve	12.2	18,020	18,020	16,187
Reinsurance reserve	12.3	8,654	7,406	4,885
Fair value reserve	12.4	166	166	156
Accumulated losses		(154,826)	(167,045)	(163,362)
<b>Total equity</b>		<b>220,973</b>	<b>207,506</b>	<b>204,992</b>
<b>Liabilities</b>				
Provision for employees' end of service benefit		14,384	14,424	12,873
Insurance contract liabilities	7	782,920	823,151	884,789
Reinsurance contract liabilities	7	50,454	18,168	422
Other payables	13	92,376	78,516	68,275
Unit linked liabilities	5.4	368,308	330,795	352,806
<b>Total liabilities</b>		<b>1,308,442</b>	<b>1,265,054</b>	<b>1,319,165</b>
<b>Total equity and liabilities</b>		<b>1,529,415</b>	<b>1,472,560</b>	<b>1,524,157</b>



Abdul Mutaleb M H M Aljaede  
Chief Executive Officer

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



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

**Condensed interim statement of income**  
**For the period ended 30 June 2023**

	Notes	Three months period ended 30		Six months period ended 30	
		2023 AED'000 (Unaudited)	June 2022 AED'000 (Unaudited) Restated	2023 AED'000 (Unaudited)	June 2022 AED'000 (Unaudited) Restated
Insurance revenue	14	158,459	197,906	319,889	394,299
Insurance service expenses	15	(81,511)	(179,771)	(161,069)	(281,381)
<b>Insurance service result before reinsurance contracts held</b>		<b>76,948</b>	<b>18,135</b>	<b>158,820</b>	<b>112,918</b>
Allocation of reinsurance premiums		(104,257)	(119,363)	(203,366)	(239,339)
Amounts recoverable from reinsurance for incurred claims		22,344	110,266	59,740	141,946
<b>Net expenses from reinsurance contracts held</b>		<b>(81,913)</b>	<b>(9,097)</b>	<b>(143,626)</b>	<b>(97,393)</b>
<b>Insurance service result</b>		<b>(4,965)</b>	<b>9,038</b>	<b>15,194</b>	<b>15,525</b>
Interest revenue calculated using the effective interest method		3,320	1,100	5,718	2,358
Net fair value losses on financial assets at FVTPL		(1,836)	(4,263)	(2,585)	(3,263)
Other investment income		3,455	1,887	3,247	3,670
<b>Total investment income / (loss)</b>		<b>4,939</b>	<b>(1,276)</b>	<b>6,380</b>	<b>2,765</b>
Insurance finance income / (expenses) from insurance contracts issued	16	2,215	3,933	(11,107)	4,463
Reinsurance finance (expense) / income from reinsurance contracts held	16	(157)	(87)	8,328	1,254
<b>Net insurance financial result</b>		<b>2,058</b>	<b>3,846</b>	<b>(2,779)</b>	<b>5,717</b>
<b>Net insurance and investment results</b>		<b>2,032</b>	<b>11,608</b>	<b>18,795</b>	<b>24,007</b>
Other operating expenses		(176)	(4,197)	(5,328)	(6,450)
<b>Profit for the period</b>		<b>1,856</b>	<b>7,411</b>	<b>13,467</b>	<b>17,557</b>
<b>Basic and diluted earnings per share</b>	17	<b>0.006</b>	<b>0.022</b>	<b>0.041</b>	<b>0.053</b>

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

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

**Condensed interim statement of comprehensive income**  
**For the period ended 30 June 2023**

	Three months period ended 30		Six months period ended 30	
	2023 AED'000 (Unaudited)	June 2022 AED'000 (Unaudited) Restated	2023 AED'000 (Unaudited)	June 2022 AED'000 (Unaudited) Restated
<b>Profit for the period</b>	<b>1,856</b>	<b>7,411</b>	<b>13,467</b>	<b>17,557</b>
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net change in fair value of equity investments designated at FVTOCI	-	7	-	7
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Total comprehensive income for the period</b>	<b>1,856</b>	<b>7,418</b>	<b>13,467</b>	<b>17,564</b>

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

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

**Condensed interim statement of changes in equity  
For the period ended 30 June 2023**

	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	Total equity AED'000
Balance at 1 January 2022, as previously reported	330,939	16,187	16,187	4,885	156	(132,869)	235,485
Adjustment on initial application of IFRS 17	-	-	-	-	-	(30,493)	(30,493)
Restated balance at 1 January 2022	330,939	16,187	16,187	4,885	156	(163,362)	204,992
Profit for the period (restated)	-	-	-	-	-	17,557	17,557
Other comprehensive income for the period	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	7	17,557	17,564
Transfer to reinsurance reserve	-	-	-	1,324	-	(1,324)	-
Balance at 30 June 2022 (unaudited)	330,939	16,187	16,187	6,209	163	(147,129)	222,556
<b>Balance at 1 January 2023, as previously reported</b>	<b>330,939</b>	<b>18,020</b>	<b>18,020</b>	<b>7,406</b>	<b>166</b>	<b>(120,728)</b>	<b>253,823</b>
Impact of initial application of IFRS 17	-	-	-	-	-	(35,695)	(35,695)
Impact of initial application of IFRS 9	-	-	-	-	-	(10,622)	(10,622)
Restated balance as at 1 January 2023	330,939	18,020	18,020	7,406	166	(167,045)	207,506
Profit for the period	-	-	-	-	-	13,467	13,467
Total comprehensive income for the period	-	-	-	-	-	13,467	13,467
Transfer to reinsurance reserve	-	-	-	1,248	-	(1,248)	-
<b>Balance at 30 June 2023 (Unaudited)</b>	<b>330,939</b>	<b>18,020</b>	<b>18,020</b>	<b>8,654</b>	<b>166</b>	<b>(154,826)</b>	<b>220,973</b>

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

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

**Condensed interim statement of cash flows**  
**For the period ended 30 June 2023**

	Notes	Six months period ended 30 June 2023 AED'000 (Unaudited)	Six months period ended 30 June 2022 AED'000 (Unaudited) (Restated)
<b>Cash flows from operating activities</b>			
Profit for the period		13,467	17,557
Adjustments for:			
Depreciation and amortisation		5,147	5,677
Gain on disposal of investments at FVTPL		(535)	(2,518)
Unrealised loss on investments at FVTPL		2,585	3,263
Impairment of financial assets		56	-
Interest income		(170)	(2,358)
Dividend income		(3,208)	(1,715)
Interest on lease liabilities		203	161
Provision for employees' end of service benefits		1,004	1,627
		<u>18,549</u>	<u>21,694</u>
<b>Change in working capital</b>			
Reinsurance contract assets		93,281	32,555
Other receivables		1,281	(5,158)
Insurance contract liabilities		(94,637)	(54,148)
Other payables		15,348	(1,625)
Unit linked assets		(42,681)	40,791
Unit linked liabilities		37,513	(40,852)
		<u>28,654</u>	<u>(6,743)</u>
Employees' end of service indemnity paid		(1,044)	(527)
<b>Net cash generated from / (used in) operating activities</b>		<u>27,610</u>	<u>(7,270)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and intangibles		(84)	(604)
Proceeds from sale of property and equipment		-	313
Purchase of investments held at FVTPL (excluding unit linked assets)		(5,672)	(57,736)
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		9,367	21,376
Interest received		170	2,358
Dividends received		3,208	1,715
Increase in fixed deposit with banks with maturity greater than three months		(198,796)	(11,637)
		<u>(191,807)</u>	<u>(44,215)</u>
<b>Net cash used in investing activities</b>		<u>(191,807)</u>	<u>(44,215)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,691)	(1,139)
<b>Net cash used in financing activities</b>		<u>(1,691)</u>	<u>(1,139)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(165,888)</u>	<u>(52,624)</u>
Cash and cash equivalents at the beginning of the period		205,667	91,881
<b>Cash and cash equivalents at the end of the period</b>	10	<u>39,779</u>	<u>39,257</u>

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

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

**Notes to the condensed interim financial statements**  
**For the period ended 30 June 2023**

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**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. (32) of 2021, 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.

This condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

**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, except for the ones mentioned below.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS**

*IFRS 17 Insurance Contracts*

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

*IFRS 17 Insurance Contracts (continued)*

**Recognition**

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognises an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

**Level of Aggregation**

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts

**Cohorts**

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

**Measurement Models**

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of insurance contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**2 Application of new and revised International Financial Reporting Standards (IFRS)**  
**(continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS**  
**(continued)**

IFRS 17 *Insurance Contracts (continued)*

**Measurement Models (continued)**

***Premium Allocation Approach (“PAA”)***

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC. Under PAA, it is not required to consider each component of the premium separately instead a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage (“LRC”)

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All of the Company’s short-term business is eligible for this simplification and the Company has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment this would increase the liabilities whereas discounting will generally decrease the liabilities. The net effect of PAA depends on whether the impact of risk adjustment is greater than the impact of discounting or the impact deferring additional expenses that are currently not deferred.

***General Measurement Model (“GMM”)***

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach (“PAA”) and Variable Fees Approach (“VFA”) are not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprises of certain components (such claims, expenses and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage (“LRC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows
- Contractual Service Margin (“CSM”)

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

IFRS 17 *Insurance Contracts (continued)*

**Measurement Models (continued)**

***Variable Fees Approach (“VFA”)***

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of insurance contract issued and associated liabilities, but same principles are applicable to reinsurance contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC will be applicable.

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows (“FCF”). In terms of revenues and expense GMM and VFA are quite similar however, a significant difference exists between GMM/VFA and PAA. The revenues under GMM and VFA show each component of the premium separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Company’s unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM / VFA and the current methodologies for the long-term business. The key differences are discussed below:

- Under IFRS 17 assets or liabilities will be determined using gross premium calculations as opposed to risk premium calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-premium based calculations are higher or lower than those required in gross-premium based calculations.
- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for insurance contracts issued and increases the asset for the reinsurance contracts held.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

*IFRS 17 Insurance Contracts (continued)*

**Measurement Models (continued)**

***Variable Fees Approach (“VFA”) (continued)***

- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long-term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, ‘coverage units’, to quantify the services provided in any period. Given that single premium contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single premium contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.
- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the premium (i.e., expected claims and expenses and the portion of the profits relating to the period).

**Estimates of Future Cashflows**

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., premium. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

**Risk Adjustment**

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk. The standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

**Discounting**

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard does recognise the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used and an illiquidity premium is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure insurance contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

*IFRS 17 Insurance Contracts (continued)*

**Contractual Service Margin (“CSM”)**

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides insurance contract services in the future. At initial recognition CSM is computed using the FCF whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to Profit & Loss as revenue in every period using coverage units.

**Onerous Contracts and Loss Components**

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

**Transition**

The default transition approach under IFRS 17 is the Full Retrospective Approach (“FRA”) which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

- Modified Retrospective Approach (“MRA”): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.
- Fair Value Approach (“FVA”): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

**Key Accounting Policy Choices**

IFRS 17 requires Company to make various accounting policy choices. The key accounting policy choices made by the Company are described below.

<b>Accounting Policy</b>	<b>Company</b>
Level of Aggregation – Adopting more granular profitability	Company has adopted the minimum three classifications provided in the standard and not use more granular classifications.
Level of Aggregation – Adopting more granular cohort	Company is using annual cohorts and not shorter cohorts.
PAA – Deferring insurance acquisition cashflows	Under PAA, in some circumstances, it is allowed to recognise insurance acquisition cashflows as expense when incurred however, the Company does not utilises this choice instead it defers all insurance acquisition cashflows.
PAA – Discounting LIC	Under PAA, in some circumstances, it is allowed not to discount the LIC, but Company is not using this option and discounts all LIC.
Interest Accretion – OCI Option	The standard allows that finance expense to be split between OCI, and P&L. Company aims to reflect entire finance expense in the P&L and plans not split between OCI and P&L.
Transition Approach	The Company is using Modified Retrospective Approach.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

*IFRS 17 Insurance Contracts (continued)*

***Key Accounting Policy Choices (continued)***

**Assumptions**

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of insurance and reinsurance contract assets and liabilities and associated revenues and expenses). The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) have to be market consistent.

**Presentation and Disclosures**

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, premiums will not be presented as revenues instead each component of the premium (such as expected claims and expenses) will be shown separately. Another key requirement relates to the presentation of reinsurance contracts held. Under IFRS 17 amounts related to insurance contract issued will be reported and net effect of reinsurance contracts held will be reported separately.

In addition to the above requirements, the new standard also introduces various new disclosures related to the insurance and reinsurance contract assets and liabilities and associated revenues and expenses.

**Judgements and estimates**

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect 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 accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2022. Except for the below judgements.

*Insurance and reinsurance contracts*

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

*Liability for remaining coverage*

For insurance acquisition cash flows, the Company is eligible to recognise the payments as an expense immediately (coverage period of a year or less). However, the Company chooses to recognize acquisition costs over time.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**

*IFRS 17 Insurance Contracts (continued)*

**Key Accounting Policy Choices (continued)**

**Judgements and estimates (continued)**

*Liability for remaining coverage (continued)*

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

*Liability for incurred claims*

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit the Company to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)**  
**IFRS 17 Insurance Contracts (continued)**

**Key Accounting Policy Choices (continued)**

**Judgements and estimates (continued)**

*Discount rates*

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Discount rate used	5.341%	2.121%	5.131%	2.950%	4.284%	2.915%	3.997%	2.805%

*Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

**Insurance and financial risk management**

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2022. There have been no changes in any risk management policies since the year end.

**Impairment of financial assets**

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- no impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**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 2022.

These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2022. In addition, results for the six months period ended 30 June 2023 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 2022.

**4 Property and equipment**

	<b>30 June 2023 AED'000 (Unaudited)</b>	<b>31 December 2022 AED'000 (Audited)</b>
Operating assets (note 4.1)	65,629	66,322
Capital work in progress*	630	607
	<u>66,259</u>	<u>66,929</u>

\* Capital work in progress includes additions amounted to AED 79 thousand. During the period, capital work in progress amounted to AED 56 thousand were impaired in the condensed interim statement of income.



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**4 Property and equipment (continued)**

**4.1 Operating assets**

<b>Cost:</b>	<b>Freehold land AED'000</b>	<b>Furniture and fixtures AED'000</b>	<b>Office equipment AED'000</b>	<b>Motor vehicles AED'000</b>	<b>Computer equipment AED'000</b>	<b>Total AED'000</b>
At 1 January 2022 (Audited)	61,067	16,953	2,806	822	9,881	91,529
Additions	-	12	124	43	366	545
Disposals	-	-	-	-	(3)	(3)
<b>At 31 December 2022 (Audited)</b>	<b>61,067</b>	<b>16,965</b>	<b>2,930</b>	<b>865</b>	<b>10,244</b>	<b>92,071</b>
Additions	-	-	3	-	2	5
<b>At 30 June 2023 (Unaudited)</b>	<b>61,067</b>	<b>16,965</b>	<b>2,933</b>	<b>865</b>	<b>10,246</b>	<b>92,076</b>
<b>Accumulated depreciation:</b>						
At 1 January 2022 (Audited)	-	11,679	2,629	701	9,189	24,198
Charge for the year	-	1,011	95	127	319	1,552
Disposals	-	-	-	-	(1)	(1)
<b>At 31 December 2022 (Audited)</b>	<b>-</b>	<b>12,690</b>	<b>2,724</b>	<b>828</b>	<b>9,507</b>	<b>25,749</b>
Charge for the period	-	506	39	6	147	698
<b>At 30 June 2023 (Unaudited)</b>	<b>-</b>	<b>13,196</b>	<b>2,763</b>	<b>834</b>	<b>9,654</b>	<b>26,447</b>
<b>Net carrying amounts:</b>						
<b>At 31 December 2022 (Audited)</b>	<b>61,067</b>	<b>4,275</b>	<b>206</b>	<b>37</b>	<b>737</b>	<b>66,322</b>
<b>At 30 June 2023 (Unaudited)</b>	<b>61,067</b>	<b>3,769</b>	<b>170</b>	<b>31</b>	<b>592</b>	<b>65,629</b>

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 period ended 30 June 2023**

**5 Investment in securities and unit linked assets and liabilities**

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Financial assets at fair value through profit or loss (Note 5.1)	71,007	76,752
Financial assets at fair value through other comprehensive income (Note 5.2)	27	27
	<u>71,034</u>	<u>76,779</u>
Unit linked assets (Note 5.3)	<u>392,294</u>	<u>349,613</u>

**5.1 Investment at fair value through profit or loss**

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Quoted equity securities in U.A.E.	59,109	61,953
Quoted equity securities outside U.A.E.	505	464
Unquoted equity securities outside U.A.E.	267	327
Unquoted equity securities in U.A.E.	1,351	2,037
Quoted bond securities in U.A.E.	9,775	11,971
	<u>71,007</u>	<u>76,752</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**

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Quoted equity securities in U.A.E.	<u>27</u>	<u>27</u>

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

**5.3 Unit linked assets**

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	237,242	215,180
Financial assets from reinsurers towards policyholders of unit-linked products carried at FVTPL	142,150	122,490
Cash held on behalf of policyholders of unit linked products carried at amortised cost	12,902	11,943
	<u>392,294</u>	<u>349,613</u>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**5 Investment in securities and unit linked assets and liabilities (continued)**

**5.4 Unit linked liabilities**

Unit linked liabilities is presented in the statement of financial position within the following accounts:

	<b>30 June 2023 AED'000 (Unaudited)</b>	<b>31 December 2022 AED'000 (Unaudited) (Restated)</b>
Payables to policyholders' of unit-linked products	392,294	349,613
Payables classified under insurance contract liabilities*	<u>(23,986)</u>	<u>(18,818)</u>
<b>Unit linked liabilities</b>	<b><u>368,308</u></b>	<b><u>330,795</u></b>

\*Under IFRS 17, the liabilities for unit linked policies with significant insurance risk are included within the calculation of the insurance contract liabilities amounting to AED 23,986 thousand (31 December 2022: 18,818 thousand).

**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 is required to maintain a bank deposit of AED 10 million (31 December 2022: AED 10 million) as a statutory deposit.

**7 Insurance and reinsurance contracts**

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	<b>30 June 2023 (Unaudited)</b>			<b>31 December 2022 (Unaudited) (Restated)</b>		
	<b>Assets AED'000</b>	<b>Liabilities AED'000</b>	<b>Net AED'000</b>	<b>Assets AED'000</b>	<b>Liabilities AED'000</b>	<b>Net AED'000</b>
<b>Insurance contracts issued</b>						
Life	(7,923)	217,383	209,460	(4)	184,752	184,748
General	<u>(54,553)</u>	<u>565,537</u>	<u>510,984</u>	<u>(8,066)</u>	<u>638,399</u>	<u>630,333</u>
<b>Total insurance contracts issued</b>	<b><u>(62,476)</u></b>	<b><u>782,920</u></b>	<b><u>720,444</u></b>	<b><u>(8,070)</u></b>	<b><u>823,151</u></b>	<b><u>815,081</u></b>
<b>Reinsurance contracts held</b>						
Life	(166,097)	5,808	(160,289)	(138,998)	479	(138,519)
General	<u>(396,807)</u>	<u>44,646</u>	<u>(352,161)</u>	<u>(484,901)</u>	<u>17,689</u>	<u>(467,212)</u>
<b>Total reinsurance contracts held</b>	<b><u>(562,904)</u></b>	<b><u>50,454</u></b>	<b><u>(512,450)</u></b>	<b><u>(623,899)</u></b>	<b><u>18,168</u></b>	<b><u>(605,731)</u></b>

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims**

**Contracts measured under the PAA**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
30 June 2023	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance Contract Liabilities as at 1 January	(14,939)	1,892	671,433	26,702	685,088
Insurance Contract Assets as at 1 January	(30,606)	-	22,346	190	(8,070)
Net Insurance contract liabilities as at 1 January 2023	(45,545)	1,892	693,779	26,892	677,018
Insurance revenue	(302,899)	-	-	-	(302,899)
Insurance service expenses					
Incurred claims and other expenses	-	-	258,286	-	258,286
Amortisation of insurance acquisition cash flows	30,660	-	-	-	30,660
Losses on onerous contracts and reversals	-	5,479	-	-	5,479
Changes to liabilities for incurred claims	-	-	(129,065)	(3,979)	(133,044)
Insurance service result	(272,239)	5,479	129,221	(3,979)	(141,518)
Insurance finance expenses	-	-	14,381	(42)	14,339
Total changes in the statement of comprehensive income	(272,239)	5,479	143,602	(4,021)	(127,179)
<i>Cash flows</i>					
Premiums received	326,137	-	-	-	326,137
Claims and other expenses paid	-	-	(258,283)	-	(258,283)
Insurance acquisition cash flows	(33,744)	-	-	-	(33,744)
Total cash flows	292,393	-	(258,283)	-	34,110
Insurance Contract Liabilities as at 30 June	124,141	6,773	494,094	21,417	646,425
Insurance Contract Assets as at 30 June	(149,532)	598	85,004	1,454	(62,476)
Net insurance contract liabilities as at 30 June 2023	(25,391)	7,371	579,098	22,871	583,949
31 December 2022 <i>(restated)</i>					
Insurance Contract Liabilities as at 1 January	(11,519)	3,843	742,611	29,315	764,250
Insurance Contract Assets as at 1 January	(43,924)	-	41,096	535	(2,293)
Insurance contract liabilities as at 1 January 2022	(55,443)	3,843	783,707	29,850	761,957
Insurance revenue	(751,935)	-	-	-	(751,935)
Insurance service expenses					
Incurred claims and other expenses	-	-	559,239	-	559,239
Amortisation of insurance acquisition cash flows	81,080	-	-	-	81,080
Losses on onerous contracts and reversals	-	(1,951)	-	-	(1,951)
Changes to liabilities for incurred claims	-	-	(85,968)	(2,583)	(88,551)
Insurance service result	(670,855)	(1,951)	473,271	(2,583)	(202,118)
Insurance finance expenses	-	-	(3,960)	(375)	(4,335)
Total changes in the statement of comprehensive income	(670,855)	(1,951)	469,311	(2,958)	(206,453)
<i>Cash flows</i>					
Premiums received	763,321	-	-	-	763,321
Claims and other expenses paid	-	-	(559,239)	-	(559,239)
Insurance acquisition cash flows	(82,568)	-	-	-	(82,568)
Total cash flows	680,753	-	(559,239)	-	121,514
Insurance Contract Liabilities as at 31 December	(14,939)	1,892	671,433	26,702	685,088
Insurance Contract Assets as at 31 December	(30,606)	-	22,346	190	(8,070)
Net insurance contract liabilities as at 31 December 2022	(45,545)	1,892	693,779	26,892	677,018

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**Analysis by measurement component – Contracts not measured under the PAA**

30 June 2023	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non- financial risk Unaudited AED'000	CSM Contracts under modified retrospective transition approach Unaudited AED'000	Total Unaudited AED'000
<b>Insurance contract liabilities as at 1 January 2023</b>	64,773	18,034	55,256	138,063
<b>Changes that relate to current services</b>				
CSM recognised for services provided	-	-	(1,732)	(1,732)
Change in risk adjustment for non-financial risk for risk expired	-	(884)	-	(884)
Experience adjustments	(8,817)	-	-	(8,817)
<b>Changes that relate to future services</b>				
Contracts initially recognised in the year	(3,205)	1,671	2,067	533
Changes in estimates that adjust the CSM	21,613	(2,553)	(19,060)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(7,392)	815	-	(6,577)
<b>Changes that relate to past services</b>				
Adjustments to liabilities for incurred claims	175	-	-	175
<b>Insurance service result</b>	<b>2,374</b>	<b>(951)</b>	<b>(18,725)</b>	<b>(17,302)</b>
Net finance expenses from insurance contracts	(4,459)	286	941	(3,232)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(2,085)</b>	<b>(665)</b>	<b>(17,784)</b>	<b>(20,534)</b>
<b>Cash flows</b>				
Premiums received	25,938	-	-	25,938
Claims and other directly attributable expenses paid	(5,990)	-	-	(5,990)
Insurance acquisition cash flows paid	(982)	-	-	(982)
<b>Total cash flows</b>	<b>18,966</b>	<b>-</b>	<b>-</b>	<b>18,966</b>
<b>Net insurance contract liabilities as at 30 June 2023</b>	<b>81,654</b>	<b>17,369</b>	<b>37,472</b>	<b>136,495</b>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**Analysis by measurement component – Contracts not measured under the PAA (continued)**

31 December 2022	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non-financial risk Unaudited AED'000	CSM	Total Unaudited AED'000
			Contracts under modified retrospective transition approach Unaudited AED'000	
Insurance contract liabilities as at 1 January 2022	105,306	14,497	736	120,539
Changes that relate to current services				
CSM recognised for services provided	-	-	(5,595)	(5,595)
Change in risk adjustment for non-financial risk for risk expired	-	(2,063)	-	(2,063)
Experience adjustments	(4,690)	-	-	(4,690)
Changes that relate to future services				
Contracts initially recognised in the year	(30,519)	9,454	28,330	7,265
Changes in estimates that adjust the CSM	(26,862)	(3,501)	30,363	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(584)	(510)	-	(1,094)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	6,164	-	-	6,164
Insurance service result	(56,491)	3,380	53,098	(13)
Net finance expenses from insurance contracts	(14,563)	157	1,422	(12,984)
Total changes in the statement of profit or loss and OCI	(71,054)	3,537	54,520	(12,997)
Cash flows				
Premiums received	59,946	-	-	59,946
Claims and other directly attributable expenses paid	(29,326)	-	-	(29,326)
Insurance acquisition cash flows paid	(99)	-	-	(99)
Total cash flows	30,521	-	-	30,521
Net insurance contract liabilities as at 31 December 2022	64,773	18,034	55,256	138,063



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims**

**Contracts measured under the PAA**

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total Unaudited AED'000
	Excluding loss recovery component Unaudited AED'000	Loss component Unaudited AED'000	Estimates of the present value of future cash flows Unaudited AED'000	Risk adjustment Unaudited AED'000	
<b>30 June 2023</b>					
Reinsurance contract assets as at 1 January 2023	25,911	(1,576)	(528,154)	(23,410)	(527,229)
Reinsurance contract liabilities as at 1 January 2023	23,665	-	(5,959)	(18)	17,688
<b>Net reinsurance contract liabilities / (assets) as at 1 January 2023</b>	<b>49,576</b>	<b>(1,576)</b>	<b>(534,113)</b>	<b>(23,428)</b>	<b>(509,541)</b>
An allocation of reinsurance premiums	154,729	1,576	-	-	156,305
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	(124,321)	-	(124,321)
Loss-recovery on onerous underlying contracts and adjustments	-	(4,252)	-	-	(4,252)
Changes to amounts recoverable for incurred claims	-	-	110,553	3,695	114,248
<b>Net income or expense from reinsurance contracts held</b>	<b>154,729</b>	<b>(2,676)</b>	<b>(13,768)</b>	<b>3,695</b>	<b>141,980</b>
Reinsurance finance income	-	-	(11,643)	44	(11,599)
<b>Total changes in the statement of comprehensive income</b>	<b>154,729</b>	<b>(2,676)</b>	<b>(25,411)</b>	<b>3,739</b>	<b>130,381</b>
<b>Cash flows</b>					
Premiums paid	(161,112)	-	-	-	(161,112)
Amounts received	-	-	124,321	-	124,321
<b>Total cash flows</b>	<b>(161,112)</b>	<b>-</b>	<b>124,321</b>	<b>-</b>	<b>(36,791)</b>
Reinsurance contract assets as at 30 June 2023	(58,327)	(4,252)	(384,717)	(18,504)	(465,800)
Reinsurance contract liabilities as at 30 June 2023	101,520	-	(50,486)	(1,185)	49,849
<b>Net reinsurance contract liabilities / (assets) as at 30 June 2023</b>	<b>43,193</b>	<b>(4,252)</b>	<b>(435,203)</b>	<b>(19,689)</b>	<b>(415,951)</b>



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)**

**Contracts measured under the PAA (continued)**

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
31 December 2022	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000
Reinsurance contract assets as at 1 January 2022	57,159	(2,484)	(610,925)	(25,804)	(582,054)
Reinsurance contract liabilities as at 1 January 2022	15,802	-	(14,685)	(695)	422
Net reinsurance contract liabilities / (assets) as at January 2022	72,961	(2,484)	(625,610)	(26,499)	(581,632)
An allocation of reinsurance premiums	374,959	2,454	-	-	377,413
Amounts recoverable from reinsurers for incurred claims	-	-	(278,317)	-	(278,317)
Amounts recoverable for incurred claims and other expenses	-	-	-	-	-
Loss-recovery on onerous underlying contracts and	-	(1,546)	-	-	(1,546)
Changes to amounts recoverable for incurred claims	-	-	82,933	2,538	85,471
Net income or expense from reinsurance contracts held	374,959	908	(195,384)	2,538	183,021
Reinsurance finance income	-	-	8,564	533	9,097
Total changes in the statement of comprehensive income	374,959	908	(186,820)	3,071	192,118
<i>Cash flows</i>					
Premiums paid	(398,344)	-	-	-	(398,344)
Amounts received	-	-	278,317	-	278,317
Total cash flows	(398,344)	-	278,317	-	(120,027)
Reinsurance contract assets as at 31 December 2022	25,911	(1,576)	(528,154)	(23,410)	(527,229)
Reinsurance contract liabilities as at 31 December 2022	23,665	-	(5,959)	(18)	17,688
Net reinsurance contract liabilities / (assets) as at 31 December 2022	49,576	(1,576)	(534,113)	(23,428)	(509,541)

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)**

**Analysis by measurement component – Contracts not measured under the PAA**

30 June 2023	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non- financial risk Unaudited AED'000	CSM	Total Unaudited AED'000
			Contracts under modified retrospective transition approach Unaudited AED'000	
Reinsurance contract assets as at 1 January 2023	(47,245)	(8,136)	(41,289)	(96,670)
Reinsurance contract liabilities as at 1 January 2023	174	(420)	726	480
<b>Net reinsurance contract assets</b>	<b>(47,071)</b>	<b>(8,556)</b>	<b>(40,563)</b>	<b>(96,190)</b>
<b>Changes that relate to current services</b>				
CSM recognised for services provided	-	-	1,265	1,265
Change in risk adjustment for non-financial risk for risk expired	-	460	-	460
Experience adjustments	5,371	-	-	5,371
<b>Changes that relate to future services</b>				
Contracts initially recognised in the year	2,011	(204)	(2,091)	(284)
Changes in estimates that adjust the CSM	(14,050)	406	13,644	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(5,006)	(49)	-	(5,055)
<b>Changes that relate to past services</b>				
Adjustments to assets for incurred claims	(111)	-	-	(111)
<b>Net expenses from reinsurance contracts</b>	<b>(11,785)</b>	<b>613</b>	<b>12,818</b>	<b>1,646</b>
Net finance income from reinsurance contracts	4,396	(227)	(898)	3,271
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(7,389)</b>	<b>386</b>	<b>11,920</b>	<b>4,917</b>
<b>Cash flows</b>				
Premiums received	(8,128)	-	-	(8,128)
Claims and other directly attributable expenses paid	2,902	-	-	2,902
<b>Total cash flows</b>	<b>(5,226)</b>	<b>-</b>	<b>-</b>	<b>(5,226)</b>
Reinsurance contract assets as at 30 June	(58,843)	(7,728)	(30,533)	(97,104)
Reinsurance contract liabilities as at 30 June	(843)	(442)	1,890	605
<b>Net reinsurance contract assets as at 30 June 2023</b>	<b>(59,686)</b>	<b>(8,170)</b>	<b>(28,643)</b>	<b>(96,499)</b>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)**

**Analysis by measurement component – Contracts not measured under the PAA (continued)**

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under modified retrospective transition approach	Total
	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000
31 December 2022				
Net reinsurance contract assets as at 1 January 2022	(78,034)	(8,218)	2,120	(84,132)
Changes that relate to current services				
CSM recognised for services provided	-	-	4,001	4,001
Change in risk adjustment for non-financial risk for risk expired	-	899	-	899
Experience adjustments	(3,028)	-	-	(3,028)
Changes that relate to future services				
Contracts initially recognised in the year	24,504	(2,725)	(27,083)	(5,304)
Changes in estimates that adjust the CSM	17,122	1,110	(18,232)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(1,995)	501	-	(1,494)
Changes that relate to past services				
Adjustments to assets for incurred claims	(6,679)	-	-	(6,679)
Net expenses from reinsurance contracts	29,924	(215)	(41,314)	(11,605)
Net finance income from reinsurance contracts	4,132	(123)	(1,369)	2,640
Total changes in the statement of profit or loss and OCI	34,056	(338)	(42,683)	(8,965)
Cash flows				
Premiums received	(22,137)	-	-	(22,137)
Claims and other directly attributable expenses paid	19,044	-	-	19,044
Total cash flows	(3,093)	-	-	(3,093)
Reinsurance contract assets as at 31 December	(47,245)	(8,136)	(41,289)	(96,670)
Reinsurance contract liabilities as at 31 December	174	(420)	726	480
Net reinsurance contract assets as at 31 December 2022	(47,071)	(8,556)	(40,563)	(96,190)

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**7 Insurance and reinsurance contracts (continued)**

Expected recognition of the contractual service margin - An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table (number of years until expected to be recognised)

	1 year AED'000	2 year AED'000	3 year AED'000	4 year AED'000	5 year AED'000	>6 year AED'000	Total AED'000
<b>30 June 2023 (unaudited)</b>							
Total CSM for insurance contracts issued	1,625	2,908	2,725	2,519	2,342	25,353	37,472
Total CSM for reinsurance contracts held	(1,573)	(2,897)	(2,717)	(2,542)	(2,362)	(16,552)	(28,643)
	52	11	8	(23)	(20)	8,801	8,829
<b>31 December 2022 (unaudited) (restated)</b>							
Total CSM for insurance contracts issued	5,742	5,282	4,871	4,433	4,018	30,910	55,256
Total CSM for reinsurance contracts held	(4,644)	(4,271)	(3,944)	(3,589)	(3,256)	(20,859)	(40,563)
	1,098	1,011	927	844	762	10,051	14,693

Reconciliation of the measurement components of insurance and reinsurance contract balances measured under both PAA and Non-PAA as at:

	PAA AED'000	Non-PAA AED'000	Total AED'000
<b>30 June 2023 (unaudited)</b>			
Insurance contract assets	(62,476)	-	(62,476)
Insurance contract liabilities	646,425	136,495	782,920
Reinsurance contract assets	(465,800)	(97,104)	(562,904)
Reinsurance contract liabilities	49,849	605	50,454
	167,998	39,996	207,994
<b>31 December 2022 (unaudited) (restated)</b>			
Insurance contract assets	(8,070)	-	(8,070)
Insurance contract liabilities	685,088	138,063	823,151
Reinsurance contract assets	(527,229)	(96,670)	(623,899)
Reinsurance contract liabilities	17,688	480	18,168
	167,477	41,873	209,350

\*The above balances include outstanding claims and insurance receivables related to Board members and major shareholders amounting to AED 468 thousand (31 December 2022: AED 468 thousand) and AED 89 thousand (31 December 2022: AED 243 thousand) respectively.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**8 Other receivables**

	<b>30 June 2023</b> <b>AED'000</b> <b>(Unaudited)</b>	31 December 2022 AED'000 (Audited)
Other receivables	39,751	40,687
Prepaid expenses	<u>6,099</u>	<u>6,444</u>
	<u><b>45,850</b></u>	<u><b>47,131</b></u>

**9 Bank deposits with original maturities of more than three months**

	<b>30 June</b> <b>2023</b> <b>AED'000</b> <b>(Unaudited)</b>	31 December 2022 AED'000 (Audited)
Deposits with original maturities greater than three months	<u>267,684</u>	<u>68,888</u>
In U.A.E.	267,392	45,210
Outside U.A.E.	<u>292</u>	<u>23,678</u>
	<u><b>267,684</b></u>	<u><b>68,888</b></u>

Bank deposits carried interest rates ranging from 1.5% to 8% per annum (31 December 2022: 1.5% to 8% per annum). Bank deposits of AED 45 million (31 December 2022: AED 45 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

\*The above balances include AED 45,408 thousand deposited with National Bank of Um Al Quwain being a common directorship (31 December 2022: AED 45,256 thousand).

**10 Cash and cash equivalents**

	<b>30 June 2023</b> <b>AED'000</b> <b>(Unaudited)</b>	30 June 2022 AED'000 (Unaudited)
Cash on hand	48	50
Bank balances:		
Current accounts with banks	39,731	24,351
Fixed deposits with original maturities of three months or less	<u>-</u>	<u>16,206</u>
	<u><b>39,779</b></u>	<u><b>40,607</b></u>
Less: bank overdraft	<u>-</u>	<u>(1,350)</u>
	<u><b>39,779</b></u>	<u><b>39,257</b></u>
In U.A.E.	39,779	37,281
Outside U.A.E.	<u>-</u>	<u>1,976</u>
	<u><b>39,779</b></u>	<u><b>39,257</b></u>

\*The above balances include AED 8,327 thousand deposited in current bank account with National Bank of Um Al Quwain being a common directorship (31 December 2022: AED 3,537 thousand).

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**11 Share capital**

	<b>30 June 2023 AED'000 (Unaudited)</b>	31 December 2022 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (2022: 330,939,180 of AED 1 each)	<u>330,939</u>	<u>330,939</u>

**12 Reserves**

**12.1 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 at the end of the year to the statutory reserve. Accordingly, no transfers have been made during the six months period ended 30 June 2023 (31 December 2022: nil).

**12.2 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 six months period ended 30 June 2023 (31 December 2022: AED 1,833 thousand).

**12.3 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 1,248 thousand from the profit for the period to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the six months period ended 30 June 2023 (30 June 2022: AED 1,324 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.

**12.4 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.

**13 Other payables**

	<b>30 June 2023 AED'000 (Unaudited)</b>	31 December 2022 AED'000 (Unaudited) (Restated)
Other payables	73,708	58,873
Provision for default claims	14,329	14,329
Non-unit reserve	4,339	5,314
	<u>92,376</u>	<u>78,516</u>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**14 Insurance revenue**

	General AED'000	Life AED'000	Total AED'000
<b>For the three months period ended 30 June 2023 (Unaudited)</b>			
<b>Contracts not measured under the PAA</b>			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	785	785
Change in risk adjustment for non-financial risk for risk expired	-	532	532
Expected incurred claims and other insurance service expenses	-	8,685	8,685
Recovery of insurance acquisition cash flows	-	180	180
	-	10,182	10,182
<b>Contracts measured under the PAA</b>	<b>134,271</b>	<b>14,006</b>	<b>148,277</b>
	<b>134,271</b>	<b>24,188</b>	<b>158,459</b>
<b>For the three months period ended 30 June 2022 (Restated)</b>			
<b>Contracts not measured under the PAA</b>			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	448	448
Change in risk adjustment for non-financial risk for risk expired	-	301	301
Expected incurred claims and other insurance service expenses	-	4,783	4,783
Recovery of insurance acquisition cash flows	-	18	18
	-	5,550	5,550
<b>Contracts measured under the PAA</b>	<b>149,270</b>	<b>43,086</b>	<b>192,356</b>
	<b>149,270</b>	<b>48,636</b>	<b>197,906</b>
<b>For the six months period ended 30 June 2023 (Unaudited)</b>			
<b>Contracts not measured under the PAA</b>			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	1,732	1,732
Change in risk adjustment for non-financial risk for risk expired	-	858	858
Expected incurred claims and other insurance service expenses	-	14,045	14,045
Recovery of insurance acquisition cash flows	-	355	355
	-	16,990	16,990
<b>Contracts measured under the PAA</b>	<b>276,348</b>	<b>26,551</b>	<b>302,899</b>
	<b>276,348</b>	<b>43,541</b>	<b>319,889</b>
<b>For the six months period ended 30 June 2022 (Restated)</b>			
<b>Contracts not measured under the PAA</b>			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	1,395	1,395
Change in risk adjustment for non-financial risk for risk expired	-	583	583
Expected incurred claims and other insurance service expenses	-	9,314	9,314
Recovery of insurance acquisition cash flows	-	24	24
	-	11,316	11,316
<b>Contracts measured under the PAA</b>	<b>309,386</b>	<b>73,597</b>	<b>382,983</b>
	<b>309,386</b>	<b>84,913</b>	<b>394,299</b>



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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**15 Insurance service expenses**

	General AED'000	Life AED'000	Total AED'000
<b>For the three months period ended 30 June 2023 (Unaudited)</b>			
Incurring claims and other expenses	98,265	11,824	110,089
Amortisation of insurance acquisition cash flows	12,799	2,332	15,131
Losses on onerous contracts and reversals of those losses	(11,322)	855	(10,467)
Changes to liabilities for incurred claims	(46,700)	13,458	(33,242)
	<u>53,042</u>	<u>28,469</u>	<u>81,511</u>
<b>For the three months period ended 30 June 2022 (Restated)</b>			
Incurring claims and other expenses	83,992	31,445	115,437
Amortisation of insurance acquisition cash flows	14,762	6,322	21,084
Losses on onerous contracts and reversals of those losses	-	6,087	6,087
Changes to liabilities for incurred claims	21,559	15,604	37,163
	<u>120,313</u>	<u>59,458</u>	<u>179,771</u>
<b>For the six months period ended 30 June 2023 (Unaudited)</b>			
Incurring claims and other expenses	214,883	49,023	263,906
Amortisation of insurance acquisition cash flows	26,876	4,138	31,014
Losses on onerous contracts and reversals of those losses	(1,109)	127	(982)
Changes to liabilities for incurred claims	(122,332)	(10,537)	(132,869)
	<u>118,318</u>	<u>42,751</u>	<u>161,069</u>
<b>For the six months period ended 30 June 2022 (Restated)</b>			
Incurring claims and other expenses	260,240	78,185	338,425
Amortisation of insurance acquisition cash flows	27,871	10,495	38,366
Losses on onerous contracts and reversals of those losses	-	8,288	8,288
Changes to liabilities for incurred claims	(94,441)	(9,257)	(103,698)
	<u>193,670</u>	<u>87,711</u>	<u>281,381</u>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**16 Net insurance financial result**

	General AED'000	Life AED'000	Total AED'000
<b>For the three months period ended 30 June 2023 (Unaudited)</b>			
Insurance finance income from insurance contracts issued	<u>(4,375)</u>	<u>6,590</u>	<u>2,215</u>
Reinsurance finance expense from reinsurance contracts held	<u>3,816</u>	<u>(3,973)</u>	<u>(157)</u>
<b>For the three months period ended 30 June 2022 (Restated)</b>			
Insurance finance income from insurance contracts issued	<u>(1,554)</u>	<u>5,487</u>	<u>3,933</u>
Reinsurance finance expense from reinsurance contracts held	<u>1,258</u>	<u>(1,345)</u>	<u>(87)</u>
<b>For the six months period ended 30 June 2023 (Unaudited)</b>			
Insurance finance expenses from insurance contracts issued	<u>(12,384)</u>	<u>1,277</u>	<u>(11,107)</u>
Reinsurance finance income from reinsurance contracts held	<u>10,018</u>	<u>(1,690)</u>	<u>8,328</u>
<b>For the six months period ended 30 June 2022 (Restated)</b>			
Insurance finance income from insurance contracts issued	<u>(3,667)</u>	<u>8,130</u>	<u>4,463</u>
Reinsurance finance income from reinsurance contracts held	<u>2,920</u>	<u>(1,666)</u>	<u>1,254</u>

**17 Basic and diluted earnings per share**

	Three months period ended 30 June 2023 (Unaudited)	Three months period ended 30 June 2022 (Unaudited) (Restated)	Six months period ended 30 June 2023 (Unaudited)	Six months period ended 30 June 2022 (Unaudited) (Restated)
Profit for the period (AED'000)	1,856	7,411	13,467	17,557
Weighted average number of shares outstanding during the period ('000)	<u>330,939</u>	<u>330,939</u>	<u>330,939</u>	<u>330,939</u>
Basic earnings per share (AED)	<u>0.006</u>	<u>0.022</u>	<u>0.041</u>	<u>0.053</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.

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**18 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.

	<u>General Insurance</u>		<u>Life Insurance</u>		<u>Total</u>	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)
<b>Assets</b>						
Property and equipment	49,694	50,197	16,565	16,732	66,259	66,929
Intangible assets	2,896	3,676	2,876	5,047	5,772	8,723
Right-of-use-assets	4,022	5,146	1,341	1,715	5,363	6,861
Unit linked assets	-	-	392,294	349,613	392,294	349,613
Investment securities	56,500	62,292	14,534	14,487	71,034	76,779
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	396,807	484,901	166,097	138,998	562,904	623,899
Insurance contract assets	54,553	8,066	7,923	4	62,476	8,070
Other receivables	28,337	27,227	17,513	19,904	45,850	47,131
Bank deposits with original maturities of more than three months	200,748	31,952	66,936	36,936	267,684	68,888
Cash and cash equivalents	29,834	154,250	9,945	51,417	39,779	205,667
<b>Total assets</b>	<b>829,391</b>	<b>833,707</b>	<b>700,024</b>	<b>638,853</b>	<b>1,529,415</b>	<b>1,472,560</b>
<b>Liabilities</b>						
Provision for employees' end of service benefit	10,788	10,818	3,596	3,606	14,384	14,424
Insurance contract liabilities	565,537	638,399	217,383	184,752	782,920	823,151
Reinsurance contract liabilities	44,646	17,689	5,808	479	50,454	18,168
Other payables	35,339	18,660	57,037	59,856	92,376	78,516
Unit linked liabilities	-	-	368,308	330,795	368,308	330,795
<b>Total liabilities</b>	<b>656,310</b>	<b>685,566</b>	<b>652,132</b>	<b>579,488</b>	<b>1,308,442</b>	<b>1,265,054</b>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**18 Segment information (continued)**

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	Six months period ended 30 June 2023 AED'000 (Unaudited)	Six months period ended 30 June 2022 AED'000 (Unaudited) (Restated)	Six months period ended 30 June 2023 AED'000 (Unaudited)	Six months period ended 30 June 2022 AED'000 (Unaudited) (Restated)	Six months period ended 30 June 2023 AED'000 (Unaudited)	Six months period ended 30 June 2022 AED'000 (Unaudited) (Restated)
Insurance revenue	276,348	309,386	43,541	84,913	319,889	394,299
Insurance service expenses	(118,318)	(193,670)	(42,751)	(87,711)	(161,069)	(281,381)
<b>Insurance service result before reinsurance contracts held</b>	<b>158,030</b>	<b>115,716</b>	<b>790</b>	<b>(2,798)</b>	<b>158,820</b>	<b>112,918</b>
Allocation of reinsurance premiums	(174,493)	(187,436)	(28,873)	(51,903)	(203,366)	(239,339)
Amounts recoverable from reinsurance for incurred claims	29,295	90,145	30,445	51,801	59,740	141,946
<b>Net expenses from reinsurance contracts held</b>	<b>(145,198)</b>	<b>(97,291)</b>	<b>1,572</b>	<b>(102)</b>	<b>(143,626)</b>	<b>(97,393)</b>
<b>Insurance service result</b>	<b>12,832</b>	<b>18,425</b>	<b>2,362</b>	<b>(2,900)</b>	<b>15,194</b>	<b>15,525</b>
Interest revenue calculated using the effective interest method	4,288	1,768	1,430	590	5,718	2,358
Net fair value gains on financial assets at FVTPL	(1,939)	(2,447)	(646)	(816)	(2,585)	(3,263)
Other investment income	2,435	2,752	812	918	3,247	3,670
<b>Total investment income</b>	<b>4,784</b>	<b>2,073</b>	<b>1,596</b>	<b>692</b>	<b>6,380</b>	<b>2,765</b>
Insurance finance (expense)/income from insurance contracts issued	(12,384)	(3,667)	1,277	8,130	(11,107)	4,463
Reinsurance finance income/(expense) from reinsurance contracts held	10,018	2,920	(1,690)	(1,666)	8,328	1,254
<b>Net insurance financial result</b>	<b>(2,366)</b>	<b>(747)</b>	<b>(413)</b>	<b>6,464</b>	<b>(2,779)</b>	<b>5,717</b>
<b>Net insurance and investment results</b>	<b>15,250</b>	<b>19,751</b>	<b>3,545</b>	<b>4,256</b>	<b>18,795</b>	<b>24,007</b>
Other operating expenses	(1,648)	(1,400)	(3,680)	(5,050)	(5,328)	(6,450)
<b>Profit for the period</b>	<b>13,602</b>	<b>18,351</b>	<b>(135)</b>	<b>(794)</b>	<b>13,467</b>	<b>17,557</b>
<b>Basic and diluted earnings per share</b>					<b>0.041</b>	<b>0.053</b>

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

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

**19 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:

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
<b>Balances with entities related to Board members</b>		
Outstanding claims	468	468
Fixed deposits	45,408	45,256
Bank account	<u>8,327</u>	<u>3,537</u>
<b>Balances with former major shareholder</b>		
Insurance receivables	<u>89</u>	<u>243</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 period ended 30 June 2023**

**19 Related party balances and transactions (continued)**

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

	Three months period ended 30 June		Six months period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)
<b>Transactions with former major shareholder</b>				
Insurance revenue	7	32	22	908
Claims paid	37	129	238	266
FD interest income from Bank of Umm Al Quwain	227	-	436	-
Bank charges	2	-	90	-
Rental paid	160	-	344	-
<b>Compensation of key management personnel</b>				
Short-term benefits	600	600	1,200	1,200
Long-term benefits	50	50	100	100

**20 Commitments and contingent liabilities**

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Letters of guarantee*	11,541	13,186

\*Includes AED 10 million (31 December 2022: AED 10 million) issued in favour of the CBUAE (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.

**21 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 2022.



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

**Notes to the condensed interim financial statements (continued)  
For the period ended 30 June 2023**

**21 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:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2023	31 December 2022				
<b>Financial assets</b>	(Unaudited) AED'000	(Audited) AED'000				
<b>Financial assets measured at FVTPL</b>						
Quoted equity securities	59,614	62,417	Level 1	Quoted bid prices in an active market.	None	Not applicable
Quoted bonds	9,775	11,971	Level 1	Prices as per the portfolio bank statement	None	Not applicable
Unquoted equity securities	1,618	2,364	Level 3	Based on net assets value of underlying investments and last traded price	Yes	Increase in net asset value increases fair value
Investments held on behalf of policyholders' unit linked products at FVTPL	237,242	215,180	Level 2	Quoted prices in secondary market	None	Not applicable
Due from reinsurers towards policyholders of unit linked products	142,150	122,490	Level 2	Quoted prices in secondary market	None	Not applicable
<b>Financial assets measured at FVTOCI</b>						
Quoted equity securities	27	27	Level 1	Quoted bid prices in an active market	None	Not applicable
<b>Financial liabilities measured at FVTPL</b>						
Unit linked liabilities	379,392	337,670	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.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements (continued)**  
**For the period ended 30 June 2023**

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**22 Capital risk management**

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

The following disclosure has been prepared based on financial information prepared in accordance with IFRS 4.

	<b>30 June 2023</b>	31 December 2022
	<b>AED'000</b>	AED'000
	<b>(Unaudited)</b>	(Unaudited)
Minimum Capital Requirement (MCR)	<b>100,000</b>	100,000
Solvency Capital Requirement (SCR)	<b>110,366</b>	142,664
Minimum Guarantee Fund (MGF)	<b>88,688</b>	90,252
Basic Own Funds	<b>159,626</b>	162,756
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	<b>59,626</b>	62,756
MCR Solvency Margin - Solvency Capital Requirement (Surplus)	<b>49,260</b>	20,092
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	<b>70,938</b>	72,504

**23 Dividends**

During the period, the Board of Directors decided not to distribute dividend.

**24 Significant events**

There have been no events subsequent to the condensed interim financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the six months period ended 30 June 2023.

**25 Approval of condensed interim financial statements**

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 14 August 2023.