

United Fidelity Insurance Company
(Public Shareholding Company)

Condensed interim financial statements
For the period ended 31 March 2020 (Unaudited)

**Review Report of the Independent Auditor
To the Shareholders of United Fidelity Insurance Company P.S.C.**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Fidelity Insurance Company P.S.C. (the “Company”) as of 31 March 2020 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three months period then ended and explanatory information. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review


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

Other matter

The condensed interim financial statements for the three months ended 31 March 2019 were reviewed by another auditor who expressed an unmodified conclusion on those financial statements on 24 April 2019.

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 International Accounting Standard 34 “Interim Financial Reporting”.


Grant Thornton
Farouk Mohamed
Registration No: 86
Dubai, 5 May 2020.



United Fidelity Insurance Company (Public Shareholding Company)

Condensed interim income statement

For the three months ended 31 March 2020 (Unaudited)

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<i>(Unaudited)</i>	
		2020	2019
		AED	AED
UNDERWRITING INCOME			
Gross premium		108,931,676	58,614,886
Movement in provision for unearned premium		(44,060,466)	(18,717,091)
Movement in premium deficiency reserve		(107,390)	(44,925)
Insurance premium revenue		<u>64,763,820</u>	<u>39,852,870</u>
Reinsurance share of premium		(57,091,558)	(33,732,805)
Movement in provision for reinsurance share of unearned premium		24,007,639	11,494,920
Reinsurance share of premium revenue		<u>(33,083,919)</u>	<u>(22,237,885)</u>
Net insurance premium revenue		31,679,901	17,614,985
Reinsurance commission income		2,665,274	1,610,823
Other income		31,609	244
Total underwriting income		<u>34,376,784</u>	<u>19,226,052</u>
UNDERWRITING EXPENSES			
Claims incurred		(63,125,287)	(26,001,616)
Reinsurers' share of claims incurred		44,358,707	17,638,941
Net claims incurred		<u>(18,766,580)</u>	<u>(8,362,675)</u>
Commission expenses including third-party administrator fees		(8,117,035)	(4,769,501)
Other underwriting (expenses)/income		(273,391)	64,136
General and administration expenses relating to underwriting activities		(9,318,465)	(8,298,571)
Total underwriting expenses		<u>(36,475,471)</u>	<u>(21,366,611)</u>
NET UNDERWRITING LOSS		<u>(2,098,687)</u>	<u>(2,140,559)</u>
Investment income		2,686,048	2,352,210
General and administration expenses not allocated to underwriting activities		(46,009)	(52,518)
PROFIT FOR THE PERIOD		<u>541,352</u>	<u>159,133</u>
Basic and diluted earnings per share (AED)	4	<u>0.005</u>	<u>0.002</u>

The attached explanatory notes 1 to 16 form part of these condensed interim financial statements.

United Fidelity Insurance Company (Public Shareholding Company)

Condensed interim statement of comprehensive income For the three months ended 31 March 2020 (Unaudited)

	<i>Three months ended 31 March (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>
<i>Notes</i>	<i>AED</i>	<i>AED</i>
Profit for the period	541,352	159,133
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that would be reclassified to profit or loss in subsequent periods</i>		
Net (decrease) / increase in fair value of available-for-sale investments	<u>(17,693,331)</u>	<u>372,469</u>
	(17,693,331)	372,469
Net realised loss on disposal of available-for-sale investments transferred to income statement	<u>(540,481)</u>	<u>-</u>
Other comprehensive (loss) / income for the period	(18,233,812)	372,469
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	<u>(17,692,460)</u>	<u>531,602</u>

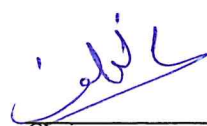
The attached explanatory notes 1 to 16 form part of these condensed interim financial statements.

United Fidelity Insurance Company (Public Shareholding Company)

Condensed interim statement of financial position

As at 31 March 2020 (Unaudited)

			<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
	<i>Notes</i>			
ASSETS				
Property and equipment			11,459,292	11,790,109
Investment property	5		52,827,660	52,827,660
Financial instruments	6		52,426,567	53,880,080
Insurance contract assets	13		134,133,415	88,061,381
Deferred acquisition costs			22,207,963	15,531,162
Insurance receivables	8		87,149,287	61,840,445
Prepayments and other receivables			7,614,999	4,181,500
Statutory deposits	9		6,000,000	6,000,000
Bank balances and cash	10		<u>62,601,781</u>	<u>69,327,403</u>
TOTAL ASSETS			<u>436,420,964</u>	<u>363,439,740</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	11		100,000,000	100,000,000
Statutory reserve	12		141,187	141,187
General reserve	12		1,119,524	1,119,524
Investment revaluation reserve	12		(17,523,626)	710,186
Accumulated losses			<u>(25,653,232)</u>	<u>(26,194,584)</u>
Total equity			<u>58,083,853</u>	<u>75,776,313</u>
Liabilities				
Employees' end of service benefits			1,718,255	1,588,355
Insurance contract liabilities	13		251,539,603	180,944,666
Deferred commission income			6,393,561	4,880,847
Insurance and other payables			111,614,181	92,999,264
Lease liability			<u>7,071,511</u>	<u>7,250,295</u>
Total liabilities			<u>378,337,111</u>	<u>287,663,427</u>
TOTAL EQUITY AND LIABILITIES			<u>436,420,964</u>	<u>363,439,740</u>



Chairman



Chief Executive Officer

The attached explanatory notes 1 to 16 form part of these condensed interim financial statements.

United Fidelity Insurance Company (Public Shareholding Company)

Condensed interim statement of changes in equity For the three months ended 31 March 2020 (Unaudited)

	Share Capital AED	Statutory Reserve AED	General Reserve AED	Investment revaluation reserve AED	Accumulated losses AED	Total AED
Balance at 31 December 2018 (audited)	100,000,000	-	1,119,524	(3,729,025)	(26,991,058)	70,399,441
Profit for the period	-	-	-	-	159,133	159,133
Other comprehensive income for the period	-	-	-	372,469	-	372,469
Total comprehensive income for the period	-	-	-	372,469	159,133	531,602
Balance at 31 March 2019 (unaudited)	100,000,000	-	1,119,524	(3,356,556)	(26,831,925)	70,931,043
Balance at 31 December 2019 (audited)	100,000,000	141,187	1,119,524	710,186	(26,194,584)	75,776,313
Profit for the period	-	-	-	-	541,352	541,352
Other comprehensive income for the period	-	-	-	(18,233,812)	-	(18,233,812)
Total comprehensive income for the period	-	-	-	(18,233,812)	541,352	(17,692,460)
Balance at 31 March 2020 (unaudited)	100,000,000	141,187	1,119,524	(17,523,626)	(25,653,232)	58,083,853

The attached explanatory notes 1 to 16 form part of these condensed interim financial statements.

United Fidelity Insurance Company (Public Shareholding Company)

Condensed interim statement of cash flows

For the three months ended 31 March 2020 (Unaudited)

	Notes	<i>Three months ended</i>	
		<i>2020</i>	<i>31 March</i>
		<i>AED</i>	<i>AED</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period		541,352	159,133
Adjustments for:			
Change in fair value of investments at FVTPL		(280,663)	-
Loss on sale of investments at FVTPL		756,763	-
Investment income		(2,599,460)	(2,352,210)
Gain on sale of available-for-sale investment		(562,688)	-
Allowance made for doubtful debts		302,541	155,941
Allowance written back for doubtful debts		(866,369)	(61,594)
Depreciation on property and equipment		254,762	124,924
Depreciation on right to use assets		208,410	-
Provision for employees' end of service benefits		206,970	169,080
Interest on lease liability		72,510	-
		<u>(1,965,872)</u>	<u>(1,804,726)</u>
Changes in operating assets and liabilities:			
Insurance contract assets		(46,072,034)	(9,895,946)
Deferred acquisition cost		(6,676,801)	(2,075,056)
Insurance and other receivables		(24,745,014)	(4,305,155)
Prepayment and other assets		(3,433,499)	(3,384,369)
Insurance contract liabilities		70,594,937	15,956,727
Deferred commission income		1,512,714	713,391
Insurance and other payables		18,614,917	11,217,945
Cash generated from operations		<u>7,829,348</u>	<u>6,422,811</u>
Employees' end of service benefits paid		<u>(77,070)</u>	<u>(45,590)</u>
Net cash generated from operating activities		<u>7,752,278</u>	<u>6,377,221</u>
INVESTING ACTIVITIES			
Net movement in fixed deposits		(4,769,273)	279,861
Purchase of property and equipment		(132,355)	(934,906)
Proceeds from disposal of available-for-sale investments		1,727,208	-
Purchase of available-for-sale investments		(3,944,788)	(4,056,927)
Interest received		503,008	225,145
Income from investment properties received		315,087	520,908
Dividend received		1,784,487	1,606,157
Net proceeds from sale of investments at FVTPL		14,166,940	-
Purchase of investments at FVTPL		(28,646,193)	-
Net cash used in investing activities		<u>(18,995,879)</u>	<u>(2,359,762)</u>
FINANCING ACTIVITIES			
Interest paid on lease liability		(72,510)	-
Payment of lease liability		(178,784)	-
Net cash used in financing activities		<u>(251,294)</u>	<u>-</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(11,494,895)</u>	<u>4,017,459</u>
Cash and cash equivalents at 1 January		38,096,676	18,476,337
CASH AND CASH EQUIVALENTS AT 31 MARCH	10	<u><u>26,601,781</u></u>	<u><u>22,493,796</u></u>

The attached explanatory notes 1 to 16 form part of these condensed interim financial statements.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements

For the three months ended 31 March 2020 (Unaudited)

1 CORPORATE INFORMATION

United Fidelity Insurance Company (Public Shareholding Company) (the “Company”), is a public shareholding company, registered in the Emirate of Ras Al Khaimah by Emiri decree No. 13/76 issued by the ruler of Ras Al Khaimah on 15 June 1976, which was amended by the Emiri decree No. 10/77 issued on 15 December 1977. The company is subject to the regulations of the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE, and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 8.

The Company is domiciled in the United Arab Emirates and the address of the Company’s registered office is P.O. Box 1010, Ras Al Khaimah, United Arab Emirates. The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance. The Company operates through its Head Office in Dubai and branch offices in Abu Dhabi, Ras Al Khaimah, Sharjah and Fujairah.

The condensed interim financial statements were authorised for issue in accordance with a resolution of the directors on 5 May 2020.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The condensed interim financial statements of the Company are prepared in accordance with International Financial Reporting Standard, Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (IASB) and comply with the applicable requirements of the laws in the U.A.E. These condensed interim financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company’s transactions are determined.

The Company has not early adopted any version of IFRS 9 as the activities of the Company are predominantly connected with insurance on 31 March 2020 therefore the Company have opted for the temporary exemption from the application of IFRS 9 and defer the implementation date of IFRS 9 until 31 December 2021.

SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared on historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value. Historically, cost is generally based on the fair value of the consideration given in exchange for assets.

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 2019. In addition, results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. The Company’s insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2019.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements

For the three months ended 31 March 2020 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2019, except for adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed interim financial statements of the Company.

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Outstanding claims and technical provisions

The estimation of the ultimate liability (both technical and outstanding) arising from claims made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements For the three months ended 31 March 2020 (Unaudited)

3 SEGMENTAL INFORMATION

Identification of reportable segments

Primary segment information

For management purposes, the Company is organised into business units based on its products and services and has two reportable operating segments as follows:

- The general insurance segment, comprises property, engineering, marine, motor, medical, general accident and miscellaneous risks.
- Investment comprises financial assets at fair value through profit or loss, AFS investments, held to maturity investments, investment properties and fixed deposits.

These segments are the basis on which the Company reports its primary segment information.

	<i>General insurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 March 2019</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Underwriting income	108,931,676	58,614,886	-	-	108,931,676	58,614,886
Net underwriting loss	(2,098,687)	(2,140,559)	-	-	(2,098,687)	(2,140,559)
Investment income	-	-	2,686,048	2,352,210	2,686,048	2,352,210
Unallocated costs	-	-	(46,009)	(52,518)	(46,009)	(52,518)
(Loss)/income for the period	(2,098,687)	(2,140,559)	2,640,039	2,299,692	541,352	159,133

United Fidelity Insurance Company (Public Shareholding Company)

**Notes to the condensed interim financial statements
For the three months ended 31 March 2020 (Unaudited)**

3 SEGMENTAL INFORMATION (continued)

Identification of reportable segments (continued)

Primary segment information (continued)

	<i>General insurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets	257,105,664	175,614,488	141,254,227	137,938,467	398,359,891	313,552,955
Unallocated assets	-	-	-	-	38,061,073	49,886,785
Total assets	257,105,664	175,614,488	141,254,227	137,938,467	436,420,964	363,439,740
Segment liabilities	376,618,856	286,075,072	-	-	376,618,856	286,075,072
Unallocated liabilities	-	-	-	-	1,718,255	1,588,355
Total liabilities	376,618,856	286,075,072	-	-	378,337,111	287,663,427

The Company's operations are primarily conducted in the United Arab Emirates. General insurance figures reported above include certain assets and liabilities that are common for all two reportable segments. These amounts are not significant and are not reported separately.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements

For the three months ended 31 March 2020 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	<i>Three months ended 31 March (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED</i>	<i>AED</i>
Motor	37,918,999	13,550,330
Marine	2,952,128	1,109,344
Medical	50,449,300	33,513,250
Property	8,293,793	4,301,154
Engineering, Casualty and others	9,317,456	6,140,808
	108,931,676	58,614,886

4 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 31 March (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED</i>	<i>AED</i>
Profit for the period (AED)	541,352	159,133
Weighted average number of shares outstanding during the period	100,000,000	100,000,000
Earnings per share (AED)	0.005	0.002

No figures for diluted earnings/loss per share are presented as the Company has not issued any instruments which would have an impact on basic earnings per share when exercised.

5 INVESTMENT PROPERTY

Investment properties represent the fair value of the properties which are located in the U.A.E.

Investment properties are stated at fair value, which has been principally determined based on valuations performed by management. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded in the statement of income. Fair value of the Company's investment properties are based on unobservable inputs (i.e. Level 3).

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements For the three months ended 31 March 2020 (Unaudited)

6 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Available-for-sale investments (Note 6a)	36,223,071	51,676,615	36,223,071	51,676,615
Financial asset at fair value through profit or loss (Note 6b)	9,301,832	2,203,465	9,301,832	2,203,465
Held-to-maturity investment at amortised cost (Note 6c)	6,901,664	-	6,658,167	-
	52,426,567	53,880,080	52,183,070	53,880,080

(a) Available-for-sale investments

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Within UAE</i>		
Quoted equity securities	36,223,071	51,676,615

(b) Financial assets at fair value through profit or loss

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Outside UAE</i>		
Quoted investment in structured products	7,042,878	-
Unquoted mutual fund units	2,258,954	2,203,465
	9,301,832	2,203,465

(c) Held-to-maturity investment at amortised cost

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Outside UAE</i>		
Quoted debt securities	6,901,664	-

7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements

For the three months ended 31 March 2020 (Unaudited)

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2019.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	31 March 2020 AED (Unaudited)	<i>31 December 2019 AED (Audited)</i>	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Available for sale					
Quoted investments	36,223,071	51,676,615	Level 1	Quoted bid prices in an active market-	N/A
Financial assets at fair value through profit or loss					
Quoted investments	7,042,878	-	Level 1	Quoted bid prices in an active market-	N/A
Unquoted investments	2,258,954	2,203,465	Level 3	Net assets valuation method	N/A
Held-to-maturity investment at amortised cost					
Quoted investments	6,901,664	-	Level 1	Quoted bid prices in an active market-	N/A

There were no transfers between each of the level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Reconciliation of Level 3 Fair value measurement of financial assets measured at fair value:

	31 March 2020 AED (Unaudited)	<i>31 December 2019 AED (Audited)</i>
Opening balance	2,203,465	2,203,465
Fair value adjustment	55,489	-
	2,258,954	2,203,465

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements For the three months ended 31 March 2020 (Unaudited)

8 INSURANCE RECEIVABLES

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Due from policyholders and brokers	90,825,793	65,994,688
Due from insurance companies	6,114,185	6,543,855
Due from reinsurance companies	742,203	495,058
Less: Allowance for doubtful debts	<u>(10,532,894)</u>	<u>(11,193,156)</u>
	<u>87,149,287</u>	<u>61,840,445</u>

All of the above amounts are due within twelve month of the reporting date. The reinsurers' share of claims not paid by the Company at the reporting date are disclosed in note 13. The amounts due from reinsurers are normally settled on a quarterly basis.

Movements in the allowance for impairment of receivables were as follows:

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
At 1 January	11,193,156	15,869,236
Provided during the period / year	302,541	836,792
Allowance written back during the period / year	(866,369)	(599,696)
Bad debts written off during the period / year	<u>(96,434)</u>	<u>(4,913,176)</u>
	<u>10,532,894</u>	<u>11,193,156</u>

9 STATUTORY DEPOSITS

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
	<u>6,000,000</u>	<u>6,000,000</u>

This represents the amount that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007. The bank deposit expires after one year and is renewable every year and earns an interest per annum of 1.50% to 4.25% (31 December 2019: 1.30% to 4.25%).

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements

For the three months ended 31 March 2020 (Unaudited)

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Current accounts and cash	17,441,275	31,641,257
Call accounts	9,160,506	6,455,419
Bank deposits	<u>36,000,000</u>	<u>31,230,727</u>
	<u>62,601,781</u>	<u>69,327,403</u>

The entire cash and cash equivalents are within United Arab Emirates. The annual rate of fixed deposits is 1.50% to 4.25% (31 December 2019: 1.30% to 4.25%).

For the purpose of statement of cash flows, cash and cash equivalents include bank balances and cash net of fixed deposits in bank with maturity over three months and fixed deposits under lien. Cash and cash equivalents at the end of the period / year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>	<i>31 March 2019 AED (Unaudited)</i>
Bank balances and cash	62,601,781	69,327,403	53,724,523
Bank deposits with maturity over 3 months	<u>(36,000,000)</u>	<u>(31,230,727)</u>	<u>(31,230,727)</u>
	<u>26,601,781</u>	<u>38,096,676</u>	<u>22,493,796</u>

11 SHARE CAPITAL

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (31 December 2019: 100,000,000 shares of AED 1 each)	<u>100,000,000</u>	<u>100,000,000</u>

12 RESERVES

General reserve

This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

Investment revaluation reserve

This reserve records fair value changes on available-for sale investments.

Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the net profit of the Company is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements For the three months ended 31 March 2020 (Unaudited)

13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Unearned premiums reserve	151,680,218	107,619,752
Premium deficiency reserve	624,582	517,192
Claims reported unsettled	80,964,060	54,258,728
Claims incurred but not reported (IBNR)	17,216,475	17,528,668
Unallocated loss adjustment expenses	1,054,268	1,020,326
	251,539,603	180,944,666
	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Unearned premiums	70,308,242	46,300,603
Claims reported unsettled	54,839,746	32,746,274
Claims incurred but not reported (IBNR)	8,985,427	9,014,504
	134,133,415	88,061,381
	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Insurance contract liabilities - net:</i>		
Unearned premiums reserve	81,371,976	61,319,149
Premium deficiency reserve	624,582	517,192
Claims reported unsettled	26,124,314	21,512,454
Claims incurred but not reported (IBNR)	8,231,048	8,514,164
Unallocated loss adjustment expenses	1,054,268	1,020,326
	117,406,188	92,883,285

Insurance contract assets include outstanding balances recoverable from insurance companies and third parties.

14 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

United Fidelity Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial statements For the three months ended 31 March 2020 (Unaudited)

14 RELATED PARTY TRANSACTIONS (continued)

The significant balances outstanding in respect of related parties included in the financial statements are as follows:

	<i>31 March 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	10,113,878	2,580,423
Outstanding claims	399,238	466,359

The income and expenses in respect of related parties included in the financial statements are as follows:

	<i>31 March 2020 AED</i>	<i>31 March 2019 AED</i>
<i>Affiliates of major shareholders:</i>		
Premiums	10,960,076	10,832,822
Claims	(2,255,234)	(1,919,797)
Legal and consultancy expenses	276,000	276,000

Compensation of the key management personnel:

	<i>31 March 2020 AED</i>	<i>31 March 2019 AED</i>
Remuneration of key management personnel	1,195,761	419,548

The Company has not recorded any impairment of amounts owed by related parties.

15 CONTINGENCIES

Contingent liabilities

At 31 March 2020, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 6,650,691 (31 December 2019: AED 6,650,691).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

16 SEASONALITY OF RESULTS AND EVENTS EFFECTING THE OPERATIONS

The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Also, there was an outbreak of a global pandemic (Novel Coronavirus disease), causing significant financial and economic impact on major economies across the globe and affecting multiple industries. As at the date of approval of the financial statements, management is in the process of assessing the impact of the said event on its subsequent period's financial results. Accordingly, results for the period ended 31 March 2020 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2020.