

**United Fidelity Insurance Company
(Public Shareholding Company)
[Formerly known as United Insurance
Company]**

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

31 MARCH 2019 (UNAUDITED)



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**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO
THE SHAREHOLDERS OF UNITED FIDELITY INSURANCE COMPANY P.S.C.
(formerly known as United Insurance Company)**

Introduction

We have reviewed the accompanying interim condensed financial statements of United Fidelity Insurance Company P.S.C. (formerly known as United Insurance Company) (the “Company”) as at 31 March 2019, comprising the interim statement of financial position as at 31 March 2019 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No.: 690

24 April 2019

Dubai, United Arab Emirates

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2019 (Unaudited)

	<i>Note</i>	<i>Three months ended 31 March (Unaudited)</i>	
		<i>2019 AED</i>	<i>2018 AED</i>
UNDERWRITING INCOME			
Gross premium		58,614,886	29,681,103
Movement in provision for unearned premium		(18,717,091)	(8,071,146)
Movement in premium deficiency reserve		(44,925)	(112,722)
Insurance premium revenue		<u>39,852,870</u>	<u>21,497,235</u>
Reinsurance share of premium		(33,732,805)	(16,466,871)
Movement in provision for reinsurance share of unearned premium		11,494,920	5,281,658
Reinsurance share of premium revenue		<u>(22,237,885)</u>	<u>(11,185,213)</u>
Net insurance premium revenue		17,614,985	10,312,022
Reinsurance commission income		1,610,823	815,167
Other income		244	82,165
Total underwriting income		<u>19,226,052</u>	<u>11,209,354</u>
UNDERWRITING EXPENSES			
Claims incurred		(26,001,616)	(13,077,223)
Reinsurers' share of claims incurred		17,638,941	8,970,661
Net claims incurred		(8,362,675)	(4,106,562)
Commission expenses including third-party administrator fees		(4,769,501)	(3,142,667)
Other underwriting income/ (expenses)		64,136	(662,104)
General and administration expenses relating to underwriting activities		(8,298,571)	(6,011,403)
Total underwriting expenses		<u>(21,366,611)</u>	<u>(13,922,736)</u>
NET UNDERWRITING LOSS		<u>(2,140,559)</u>	<u>(2,713,382)</u>
Investment income		2,352,210	2,115,496
General and administration expenses not allocated to underwriting activities		(52,518)	(45,981)
PROFIT / (LOSS) FOR THE PERIOD		<u>159,133</u>	<u>(643,867)</u>
Basic and diluted profit / (loss) per share (AED)	4	<u>0.002</u>	<u>(0.006)</u>

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

United Fidelity Insurance Company (Public Shareholding Company)
 [Formerly known as United Insurance Company]

INTERIM STATEMENT OF COMPREHENSIVE INCOME
 For the three months ended 31 March 2019 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2019 AED</i>	<i>2018 AED</i>
Profit / (loss) for the period	159,133	(643,867)
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that would be reclassified to profit or loss in subsequent periods</i>		
Net increase / (decrease) in fair value of available-for-sale investments	372,469	(502,362)
Net realised gain on disposal of available-for-sale investments transferred to income statement	-	(68,402)
Other comprehensive profit / (loss) for the period	372,469	(570,764)
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	531,602	(1,214,631)

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

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Unaudited)

	Notes	31 March 2019 AED	31 December 2018 AED (Audited)
ASSETS			
Property and equipment		2,608,334	1,798,352
Investment property	5	53,750,000	53,750,000
Financial instruments	6	49,163,415	44,734,019
Insurance contract assets	13	95,666,467	85,770,521
Deferred acquisition costs		12,121,743	10,046,687
Insurance receivables	8	65,535,246	61,324,438
Prepayments and other receivables		5,434,845	2,050,476
Statutory deposits	9	6,000,000	6,000,000
Bank balances and cash	10	53,724,523	49,986,925
TOTAL ASSETS		344,004,573	315,461,418
EQUITY AND LIABILITIES			
Equity			
Share capital	11	100,000,000	100,000,000
General reserve	12	1,119,524	1,119,524
Investment revaluation reserve	12	(3,356,556)	(3,729,025)
Accumulated losses		(26,831,925)	(26,991,058)
Total equity		70,931,043	70,399,441
Liabilities			
Employees' end of service benefits		1,331,486	1,207,996
Insurance contract liabilities	13	178,860,577	162,903,850
Deferred commission income		4,022,924	3,309,533
Insurance and other payables		88,858,543	77,640,598
Total liabilities		273,073,530	245,061,977
TOTAL EQUITY AND LIABILITIES		344,004,573	315,461,418

Chairman

Chief Executive Officer

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

INTERIM STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2019 (Unaudited)

	<i>Share capital AED</i>	<i>General reserve AED</i>	<i>Accumulated losses AED</i>	<i>Investment revaluation reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2017 (audited)	100,000,000	1,119,524	(17,547,339)	3,833,457	87,405,642
Loss for the period	-	-	(643,867)	-	(643,867)
Other comprehensive loss for the period	-	-	-	(570,764)	(570,764)
Total comprehensive loss for the period	-	-	(643,867)	(570,764)	(1,214,631)
Balance at 31 March 2018(unaudited)	<u>100,000,000</u>	<u>1,119,524</u>	<u>(18,191,206)</u>	<u>3,262,693</u>	<u>86,191,011</u>
Balance at 31 December 2018 (audited)	100,000,000	1,119,524	(26,991,058)	(3,729,025)	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	-	-	159,133	372,469	531,602
Balance at 31 March 2019 (unaudited)	<u><u>100,000,000</u></u>	<u><u>1,119,524</u></u>	<u><u>(26,831,925)</u></u>	<u><u>(3,356,556)</u></u>	<u><u>70,931,043</u></u>

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

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019 (Unaudited)

	Notes	Three months ended 31 March	
		2019 AED	2018 AED
OPERATING ACTIVITIES			
Profit / (loss) for the period		159,133	(643,867)
Adjustments for:			
Investment income		(2,352,210)	(2,115,496)
Gain on sale of available-for-sale investment		-	114,439
Allowance made for doubtful debts		155,941	1,480,934
Allowance written back for doubtful debts		(61,594)	(522,630)
Bad debts written off during the period		(4,921,811)	-
Depreciation on property and equipment		124,924	137,458
Provision for employees' end of service benefits		169,080	127,600
		(6,726,537)	(1,421,562)
Changes in operating assets and liabilities:			
Insurance contract assets		(9,895,946)	(7,918,239)
Deferred costs		(2,075,056)	(596,221)
Insurance receivables		616,656	(4,456,990)
Prepayments and other assets		(3,384,369)	(169,977)
Insurance contract liabilities		15,956,727	11,337,220
Deferred commission income		713,391	217,610
Insurance and other payables		11,217,945	3,457,774
Cash generated from operations		6,422,811	449,615
Employees' end of service benefits paid		(45,590)	(40,378)
Net cash generated from operating activities		6,377,221	409,237
INVESTING ACTIVITIES			
Net movement in fixed deposits		279,861	(27,510,588)
Purchase of property and equipment		(934,906)	(40,095)
Proceeds from disposal of financial assets at fair value through profit or loss		-	14,885
Proceeds from disposal of available-for-sale investments		-	1,037,546
Purchase of available-for-sale investments		(4,056,927)	(20,879,044)
Interest received		225,145	302,790
Income from investment properties received		520,908	827,736
Dividend received		1,606,157	870,531
Net cash used in investing activities		(2,359,762)	(45,376,239)
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		18,476,337	75,899,513
CASH AND CASH EQUIVALENTS AT 31 MARCH	10	22,493,796	30,932,511

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

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2019 (Unaudited)

1 CORPORATE INFORMATION

United Fidelity Insurance Company (Public Shareholding Company) (the “Company”), formerly known as United Insurance 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.

On 4 November 2018, the company changed its name from United Insurance Company to United Fidelity Insurance Company (PSC).

The interim condensed financial statements were authorised for issue in accordance with a resolution of the directors on 23 April 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed financial statements of the Company are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The condensed 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.

These condensed 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 interim condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 2018. In addition, results for the three months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018.

New standards, interpretations and amendments

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018, except for adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

The Company adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The standard did not have any impact on interim condensed financial statement as all of the Company's leases are short-term leases.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

United Fidelity Insurance Company (Public Shareholding Company)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2019 (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, fire, marine, motor, medical, general accident and miscellaneous risks.
- Investment comprises financial assets at fair value through profit or loss, AFS 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 2019 AED</i>	<i>31 March 2018 AED</i>	<i>31 March 2019 AED</i>	<i>31 March 2018 AED</i>	<i>31 March 2019 AED</i>	<i>31 March 2018 AED</i>
Underwriting Income	58,614,886	29,681,103	-	-	58,614,886	29,681,103
Net Underwriting Loss	(2,140,559)	(2,713,382)		-	(2,140,559)	(2,713,382)
Investment Income			2,352,210	2,115,496	2,352,210	2,115,496
Unallocated costs (net)					(52,518)	(45,981)
Profit/ (loss) for the period					159,133	(643,867)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 31 March 2019 (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 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Segment assets						
Unallocated assets	186,262,468	165,838,516	134,144,142	129,994,607	320,406,610 23,597,963	295,833,123 19,628,295
Total assets					<u>344,004,573</u>	<u>315,461,418</u>
Segment liabilities						
Unallocated liabilities	271,742,044	243,853,981	-	-	271,742,044 1,331,486	243,853,981 1,207,996
Total liabilities					<u>273,073,530</u>	<u>245,061,977</u>

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)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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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</i>	
	<i>2019 AED</i>	<i>2018 AED</i>
Medical	33,513,250	17,758,702
Motor	13,550,330	4,907,287
Engineering, casualty and others	6,140,808	3,431,406
Property	4,301,154	2,862,965
Marine	1,109,344	720,743
	58,614,886	29,681,103

4 BASIC AND DILUTED LOSS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
Profit / (loss) for the period (AED)	159,133	(643,867)
Weighted average number of shares outstanding during the period	100,000,000	100,000,000
Profit / (loss) per share (AED)	0.002	(0.006)

No figures for diluted loss per share are presented as the Company has not issued any instruments which would have an impact on loss 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)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 31 March 2019 (Unaudited)

6 FINANCIAL INSTRUMENTS

	<i>Carrying Value</i>		<i>Fair Value</i>	
	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Available for sale investments (Note 6 a)	46,959,950	42,530,554	46,959,950	42,530,554
Financial asset at fair value through profit or loss (Note 6 b)	2,203,465	2,203,465	2,203,465	2,203,465
	<u>49,163,415</u>	<u>44,734,019</u>	<u>49,163,415</u>	<u>44,734,019</u>

(a) Available for sale investments

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Quoted Equity Securities</i> Within UAE	<u>46,959,950</u>	<u>42,530,554</u>

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

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Unquoted mutual fund units</i> Outside U.A.E	<u>2,203,465</u>	<u>2,203,465</u>

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.

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 2018.

United Fidelity Insurance Company (Public Shareholding Company)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 31 March 2019 (Unaudited)

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
<i>Available - for - sale</i>					
Quoted Investments	46,959,950	42,530,554	Level 1	Quoted bid prices in an active market	N/A
<i>Financial assets at fair value through profit or loss</i>					
Unquoted Investments	2,203,465	2,203,465	Level 3	Net assets valuation method	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:

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Opening balance	2,203,465	2,174,878
Disposal during the year	-	(26,385)
Fair value adjustment	-	54,972
	2,203,465	2,203,465

8 INSURANCE RECEIVABLES

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Due from policyholders and Brokers	70,414,429	57,467,198
Due from insurance companies	4,466,844	4,602,838
Due from reinsurance companies	1,695,745	15,123,638
Less : Allowance for doubtful debts	(11,041,772)	(15,869,236)
	65,535,246	61,324,438

United Fidelity Insurance Company (Public Shareholding Company)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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8 INSURANCE RECEIVABLES (continued)

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 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
At 1 January	15,869,236	11,689,493
Provided during the period / year	155,941	5,349,368
Allowance written back during the period / year	(61,594)	(804,913)
Bad debts written off during the period / year	(4,921,811)	(364,712)
At end of period / year	<u>11,041,772</u>	<u>15,869,236</u>

9 STATUTORY DEPOSITS

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Bank deposits:	<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 2.25% to 3.40% (31 December 2018: 2.25% to 3.40%)

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 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Current accounts and cash	18,045,197	11,459,134
Call accounts	4,448,599	7,017,203
Bank deposits	31,230,727	31,510,588
	<u>53,724,523</u>	<u>49,986,925</u>

The entire cash and cash equivalents are within United Arab Emirates. The annual rate of fixed deposits is 2.25% - 4.25% (31 December 2018: 2.25% to 3.4%). The company has overdraft limit of AED 15,000,000 and the entire amount is unutilised. Bank overdraft carries interest at base lending rate of 3.25% to 4.5% per annum (31 December 2018: 3.25% to 4.5%).

United Fidelity Insurance Company (Public Shareholding Company)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 31 March 2019 (Unaudited)

10 CASH AND CASH EQUIVALENTS (continued)

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 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>	<i>31 March 2018 AED (Unaudited)</i>
Bank balances and cash	53,724,523	49,986,925	58,443,099
Bank deposits with maturity over 3 months	<u>(31,230,727)</u>	<u>(31,510,588)</u>	<u>(27,510,588)</u>
	<u>22,493,796</u>	<u>18,476,337</u>	<u>30,932,511</u>

11 SHARE CAPITAL

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (2018: 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.

13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Unearned premiums reserve	97,211,746	78,494,655
Premium deficiency reserve	44,925	-
Claims reported unsettled	65,252,068	68,664,930
Claims incurred but not reported (IBNR)	15,231,676	14,554,037
Unallocated loss adjustment Expenses	1,120,162	1,190,228
	<u>178,860,577</u>	<u>162,903,850</u>

United Fidelity Insurance Company (Public Shareholding Company)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 31 March 2019 (Unaudited)

13 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Unearned premiums	49,622,179	38,127,259
Claims reported unsettled	38,607,763	41,112,800
Claims incurred but not reported (IBNR)	7,436,525	6,530,462
	<u>95,666,467</u>	<u>85,770,521</u>
<i>Insurance contract liabilities - net</i>		
Unearned premiums	47,589,567	40,367,396
Premium deficiency reserve	44,925	-
Claims reported unsettled	26,644,305	27,552,130
Claims incurred but not reported (IBNR)	7,795,151	8,023,575
Unallocated loss adjustment expenses	1,120,162	1,190,228
	<u>83,194,110</u>	<u>77,133,329</u>

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.

The significant balances outstanding at 31 March in respect of related parties included in the financial statements are as follows:

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	10,012,861	2,285,137
Outstanding claims	288,287	268,116

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

Affiliates of major shareholders:

	<i>Three months ended 31 March</i>	
	<i>2019 AED</i>	<i>2018 AED</i>
Premiums	10,832,823	4,125,980
Claims	(1,919,797)	(183,548)

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14 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel:

	<i>Three months ended 31 March</i>	
	<i>2019 AED</i>	<i>2018 AED</i>
Employee benefits	419,548	572,339

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

15 CONTINGENCIES

Contingent liabilities

At 31 March 2019, 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 5,150,691 (31 December 2018: AED 5,150,691).

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

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. Accordingly, results for the period ended 31 March 2019 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 2019.