

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

Condensed interim financial statements
For the period ended 30 September 2019 (Unaudited)

**Grant Thornton
United Arab Emirates**
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

**Review report of the Independent Auditor
To the Shareholders of United Fidelity Insurance Company P.S.C
(formerly known as United Insurance Company)**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Fidelity Insurance Company P.S.C. (formerly known as United Insurance Company) (the “Company”) as at 30 September 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income for the three months and nine months periods then ended, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine month 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 financial statements for the nine months ended 30 September 2018 and for the year ended 31 December 2018 were reviewed and audited by another auditor who expressed an unmodified conclusion and opinion on those statements on 30 October 2018 and 27 February 2019 respectively.

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, 12 November 2019**



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

Condensed interim income statement

For the nine months period ended 30 September 2019 (Unaudited)

<i>Note</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	2019	2018	2019	2018
	AED	AED	AED	AED
UNDERWRITING INCOME				
Gross premium	62,441,698	44,608,465	162,526,046	97,609,487
Movement in provision for unearned premium	(10,827,737)	(15,450,563)	(24,306,586)	(24,204,884)
Movement in premium deficiency reserve	(11,277)	(1,022,878)	(11,277)	(904,637)
Insurance premium revenue	51,602,684	28,135,024	138,208,183	72,499,966
Reinsurance share of premium	(40,064,921)	(27,527,955)	(91,760,015)	(56,121,999)
Movement in provision for reinsurance share of unearned premium	10,168,492	9,977,082	14,051,662	14,639,445
Reinsurance share of premium revenue	(29,896,429)	(17,550,873)	(77,708,353)	(41,482,554)
Net insurance premium revenue	21,706,255	10,584,151	60,499,830	31,017,412
Reinsurance commission income	2,236,378	968,039	5,659,835	2,603,585
Other income	70	(950)	10,000	88,815
Total underwriting income	23,942,703	11,551,240	66,169,665	33,709,812
UNDERWRITING EXPENSES				
Claims incurred	(31,086,651)	(17,439,124)	(86,550,413)	(46,352,743)
Reinsurers' share of claims incurred	23,296,386	12,634,583	61,005,500	31,436,173
Net claims incurred	(7,790,265)	(4,804,541)	(25,544,913)	(14,916,570)
Commission expenses including third-party administrator fees	(6,641,670)	(3,182,428)	(17,054,039)	(8,886,681)
Other underwriting expenses	(1,316,225)	(1,483,612)	(1,953,862)	(1,998,046)
General and administration expenses relating to underwriting activities	(8,913,975)	(7,540,317)	(25,639,869)	(21,252,707)
Total underwriting expenses	(24,662,135)	(17,010,898)	(70,192,683)	(47,054,004)
NET UNDERWRITING LOSS	(719,432)	(5,459,658)	(4,023,018)	(13,344,192)
Investment income	1,142,017	7,277,061	5,450,393	12,240,266
General and administration expenses not allocated to underwriting activities	(2,120)	(693)	(269,121)	(73,461)
PROFIT/(LOSS) FOR THE PERIOD	420,465	1,816,710	1,158,254	(1,177,387)
Basic and diluted earnings/(loss) per share (AED)	0.004	0.018	0.012	(0.012)

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

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

Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2019 (Unaudited)


	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	2019	2018	2019	2018
	AED	AED	AED	AED
Profit / (loss) for the period	420,465	1,816,710	1,158,254	(1,177,387)
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	2,406,114	1,002,748	5,744,626	(49,862)
Net realised loss on disposal of available-for-sale investments transferred to income statement	(397,146)	(4,446,095)	(397,146)	(4,932,922)
Other comprehensive income / (loss) for the period	2,008,968	(3,443,347)	5,347,480	(4,982,784)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	2,429,433	(1,626,637)	6,505,734	(6,160,171)

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

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

Condensed interim statement of financial position
As at 30 September 2019 (Unaudited)

		<i>30 September</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Property and equipment		4,764,038	1,798,352
Investment property	5	52,750,000	53,750,000
Financial instruments	6	51,971,896	44,734,019
Insurance contract assets	13	99,764,198	85,770,521
Deferred acquisition costs		11,916,185	10,046,687
Insurance receivables	8	71,727,142	61,324,438
Prepayments and other receivables		3,800,348	2,050,476
Statutory deposits	9	6,000,000	6,000,000
Bank balances and cash	10	55,243,004	49,986,925
TOTAL ASSETS		357,936,811	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	1,618,455	(3,729,025)
Accumulated losses		(25,832,804)	(26,991,058)
Total equity		76,905,175	70,399,441
Liabilities			
Employees' end of service benefits		1,663,090	1,207,996
Insurance contract liabilities	13	181,536,260	162,903,850
Deferred commission income		4,069,400	3,309,533
Insurance and other payables		93,762,886	77,640,598
Total liabilities		281,031,636	245,061,977
TOTAL EQUITY AND LIABILITIES		357,936,811	315,461,418



 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)
[Formerly known as United Insurance Company]**

Condensed interim statement of changes in equity

For the nine months period ended 30 September 2019 (Unaudited)

	<i>Share capital</i> <i>AED</i>	<i>General reserve</i> <i>AED</i>	<i>Accumulated losses</i> <i>AED</i>	<i>Investment revaluation reserve</i> <i>AED</i>	<i>Total</i> <i>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	-	-	(1,177,387)	-	(1,177,387)
Other comprehensive loss for the period	-	-	-	(4,982,784)	(4,982,784)
Total comprehensive loss for the period	-	-	(1,177,387)	(4,982,784)	(6,160,171)
Balance at 30 September 2018 (unaudited)	100,000,000	1,119,524	(18,724,726)	(1,149,327)	81,245,471
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	-	-	1,158,254	-	1,158,254
Other comprehensive income for the period	-	-	-	5,347,480	5,347,480
Total comprehensive income for the period	-	-	1,158,254	5,347,480	6,505,734
Balance at 30 September 2019 (unaudited)	100,000,000	1,119,524	(25,832,804)	1,618,455	76,905,175

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

United Fidelity Insurance Company (Public Shareholding Company)
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Condensed interim statement of cash flows

For the nine months period ended 30 September 2019 (Unaudited)

		<i>Nine months ended</i>	
		<i>30 September</i>	
		<i>2019</i>	<i>2018</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Profit / (loss) for the period		1,158,254	(1,177,387)
Adjustments for:			
Revaluation loss of investment property		1,000,000	-
Investment income		(5,461,856)	(12,240,266)
Gain on sale of available-for-sale investment		(988,537)	-
Allowance made for doubtful debts	8	985,726	(1,993,712)
Allowance written back for doubtful debts	8	(567,222)	-
Allowance utilized for doubtful debts	8	5,192,245	-
Depreciation on property and equipment		392,177	411,701
Provision for employees' end of service benefits		542,380	436,292
Loss on disposal of property and equipment		(3,083)	-
Property and equipment write off		2,695	-
		2,252,779	(14,563,372)
Changes in operating assets and liabilities:			
Insurance contract assets		(13,993,677)	(22,462,254)
Deferred acquisition cost		(1,869,498)	(2,017,408)
Insurance and other receivables		(16,013,453)	(11,951,804)
Prepayment and other assets		(1,749,872)	202,547
Insurance contract liabilities		18,632,410	33,056,368
Deferred commission income		759,867	760,759
Insurance and other payables		16,122,288	15,497,150
Cash generated from / (used in) operations		4,140,844	(1,478,014)
Employees' end of service benefits paid		(87,286)	(181,906)
Net cash generated from / (used in) operating activities		4,053,558	(1,659,920)
INVESTING ACTIVITIES			
Net movement in fixed deposits		(9,720,139)	(39,510,588)
Purchase of property and equipment		(3,366,475)	(481,225)
Proceeds from disposal of investments at fair value through profit or loss		-	26,385
Proceeds from disposal of available-for-sale investments		3,507,391	22,628,069
Purchase of available-for-sale investments		(4,409,251)	(35,414,585)
Interest income		1,059,286	998,839
Income from investment properties received		1,714,753	2,199,625
Dividend income		2,687,817	2,389,802
Gain on disposal of available for sale investments		-	6,652,000
Proceeds from disposal of property and equipment		9,000	-
Net cash used in investing activities		(8,517,618)	(40,511,678)
DECREASE IN BANK BALANCES AND CASH		(4,464,060)	(42,171,598)
Bank balances and cash at 1 January		18,476,337	75,899,513
BANK BALANCES AND CASH AT 30 SEPTEMBER			
	10	14,012,277	33,727,915

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

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

Notes to the condensed interim financial statements

For the nine months period ended 30 September 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 and life 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 condensed interim financial statements were authorised for issue in accordance with a resolution of the directors on 12 November 2019.

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 and the activities of the Company are predominantly connected with insurance on 30 September 2019 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 2018. In addition, results for the nine months ended 30 September 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.

United Fidelity Insurance Company (Public Shareholding Company)
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Notes to the condensed interim financial statements

For the nine months period ended 30 September 2019 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT 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 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.

The Company adopted IFRS 16 using the modified retrospective transition approach 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 material impact on condensed interim financial statements 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 any material 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)
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Notes to the condensed interim financial statements

For the nine months period ended 30 September 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.

	General insurance		Investment		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Underwriting income	162,526,046	97,609,487	-	-	162,526,046	97,609,487
Segment result	(4,023,018)	(13,344,192)	-	-	(4,023,018)	(13,344,192)
Investment income			5,450,393	12,240,266	5,450,393	12,240,266
Unallocated costs (net)			-	-	(269,121)	(73,461)
(Loss)/profit for the period	(4,023,018)	(13,344,192)	5,450,393	12,240,266	1,158,254	(1,177,387)

**United Fidelity Insurance Company (Public Shareholding Company)
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Notes to the condensed interim financial statements
For the nine months period ended 30 September 2019 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Identification of reportable segments (continued)

Primary segment information (continued)

	General insurance		Investment		Total	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	AED	AED	AED	AED	AED	AED
Segment assets	196,844,084	165,838,516	145,952,623	129,994,607	342,796,707	295,833,123
Unallocated assets	-	-	-	-	15,140,104	19,628,295
Total assets	196,844,084	165,838,516	145,952,623	129,994,607	357,936,811	315,461,418
Segment liabilities	279,368,546	243,853,981	-	-	279,368,546	243,853,981
Unallocated liabilities	-	-	-	-	1,663,090	1,207,996
Total liabilities	279,368,546	243,853,981	-	-	281,031,636	245,061,977

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.

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Notes to the condensed interim financial statements
For the nine months period ended 30 September 2019 (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</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Motor	18,358,881	12,257,551	49,161,208	23,742,316
Marine	1,639,258	1,034,596	4,529,944	2,461,351
Medical	34,258,319	26,173,943	83,628,583	56,002,367
Property	2,554,022	2,254,124	9,428,128	6,348,904
Engineering, casualty and others	5,631,218	2,888,251	15,778,183	9,054,549
	62,441,698	44,608,465	162,526,046	97,609,487

4 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Profit/(loss) for the period (AED)	420,465	1,816,710	1,158,254	(1,177,387)
Weighted average number of shares outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000
Earnings/(loss) per share (AED)	0.004	0.018	0.012	(0.012)

No figures for diluted earnings / (loss) per share are presented as the Company has not issued any instruments which would have an impact on profit / (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 orderly 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 condensed interim financial statements
For the nine months period ended 30 September 2019 (Unaudited)

6 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>30 September 2019</i>	<i>31 December 2018</i>	<i>30 September 2019</i>	<i>31 December 2018</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>
Available for sale investments (Note 6 (a))	49,768,431	42,530,554	49,768,431	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
	51,971,896	44,734,019	51,971,896	44,734,019

(a) Available for sale investments

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Quoted Equity Securities</i> Within UAE	49,768,431	42,530,554

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

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Unquoted mutual fund units</i> Outside UAE	2,203,465	2,203,465

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.

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.

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Notes to the condensed interim financial statements
For the nine months period ended 30 September 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 (continued)

	30 September 2019 AED (Unaudited)	31 December 2018 AED (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Available - for - sale					
Quoted investments	49,768,431	42,530,554	Level 1	Quoted bid prices in an active market-	N/A
Financial assets at fair value through profit or loss					
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:

	30 September 2019 AED (Unaudited)	31 December 2018 AED (Audited)
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

	30 September 2019 AED (Unaudited)	31 December 2018 AED (Audited)
Due from policyholders and brokers	76,822,575	57,467,198
Due from insurance companies	5,941,527	4,602,838
Due from reinsurance companies	58,535	15,123,638
Less: Allowance for doubtful debts	(11,095,495)	(15,869,236)
	71,727,142	61,324,438

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.

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8 INSURANCE RECEIVABLES (continued)

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

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
At 1 January	15,869,236	11,689,493
Provided during the period / year	985,726	5,349,368
Allowance written back during the period / year	(567,222)	(804,913)
Bad debts written off during the period / year	(5,192,245)	(364,712)
	<u>11,095,495</u>	<u>15,869,236</u>

9 STATUTORY DEPOSITS

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 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 2.25% to 3.40% (31 December 2018: 2.25% to 3.40%)

10 BANK BALANCES AND CASH

Bank balances and cash included in the statement of cash flows comprise the following statement of financial position amounts:

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
Current accounts and cash	7,846,423	11,459,134
Call accounts	6,165,854	7,017,203
Bank deposits	41,230,727	31,510,588
	<u>55,243,004</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%).

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10 BANK BALANCES AND CASH (continued)

For the purpose of statement of cash flows, bank balances and cash 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>30 September</i> <i>2019</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2018</i> <i>AED</i> <i>(Audited)</i>	<i>30 September</i> <i>2018</i> <i>AED</i> <i>(Unaudited)</i>
Bank balances and cash	55,243,004	49,986,925	73,238,503
Bank deposits with maturity over 3 months	<u>(41,230,727)</u>	<u>(31,510,588)</u>	<u>(39,510,588)</u>
	<u>14,012,277</u>	<u>18,476,337</u>	<u>33,727,915</u>

11 SHARE CAPITAL

	<i>30 September</i> <i>2019</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2018</i> <i>AED</i> <i>(Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (31 December 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>30 September</i> <i>2019</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2018</i> <i>AED</i> <i>(Audited)</i>
<i>Insurance contract liabilities:</i>		
Unearned premiums reserve	102,801,241	78,494,655
Premium deficiency reserve	11,277	-
Claims reported unsettled	59,306,947	68,664,930
Claims incurred but not reported (IBNR)	18,304,116	14,554,037
Unallocated loss adjustment expenses	<u>1,112,679</u>	<u>1,190,228</u>
	<u>181,536,260</u>	<u>162,903,850</u>

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13 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Unearned premiums	52,178,921	38,127,259
Claims reported unsettled	38,288,347	41,112,800
Claims incurred but not reported (IBNR)	9,296,930	6,530,462
	<u>99,764,198</u>	<u>85,770,521</u>
	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
<i>Insurance contract liabilities - net:</i>		
Unearned premiums reserve	50,622,320	40,367,396
Premium deficiency reserve	11,277	-
Claims reported unsettled	21,018,600	27,552,130
Claims incurred but not reported (IBNR)	9,007,186	8,023,575
Unallocated loss adjustment expenses	1,112,679	1,190,228
	<u>81,772,062</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 in respect of related parties included in the financial statements are as follows:

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	11,110,279	2,285,137
Outstanding claims	346,237	268,116

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

	<i>Three months ended 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	<i>2019 AED</i>	<i>2018 AED</i>	<i>2019 AED</i>	<i>2018 AED</i>
<i>Affiliates of major shareholders:</i>				
Premiums	253,746	3,146,017	15,127,986	10,300,242
Claims	(2,621,183)	(2,652,286)	(7,023,098)	(5,660,088)
Management fee	276,000	276,000	828,000	828,000

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14 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Unaudited)</i>		<i>30 September (Unaudited)</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Remuneration of key management personnel	440,387	409,110	1,833,515	1,400,008

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

15 CONTINGENCIES

Contingent liabilities

At 30 September 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 30 September 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.