

United Fidelity Insurance Company
(Public Shareholding Company)

Condensed interim financial statements
For the period ended 30 September 2021 (Unaudited)

THE BOARD OF DIRECTORS' REPORT
For the period ended September 30, 2021

Fidelity United Performance

Continuing on the profitability journey, Fidelity United has achieved profit of AED 6.02m with improvement of 126% as compared to prior year. Top line has increased by 18% as compared to prior year and underwriting loss has improved by 15%.

2021 Outlook

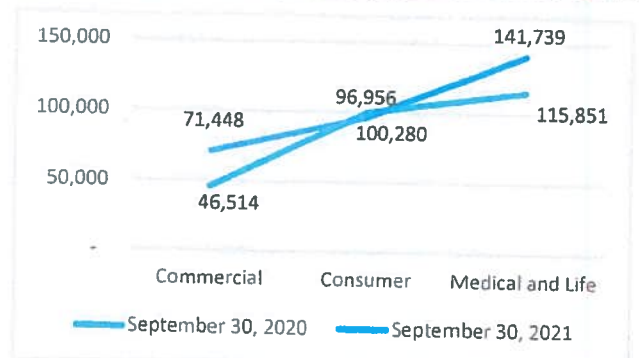
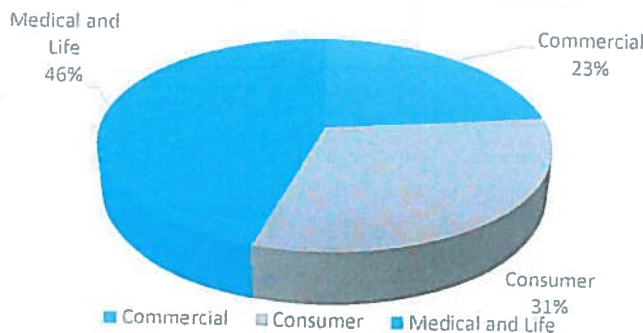
Fidelity United is expected to achieve its objective at end of 2021. Though the competition in consumer lines in respect of pricing and commission has impacted the overall market, including us, we are still positive that the corrections will happen eventually.

In addition to achieving the improved financial results, the company is aggressively working towards automation and digitalization journey. With the projected growth in Q4 and in 2022, automating and streamlining the process is imminent. 2021 is the second phase of our transformation journey, where **Fidelity United**, is intending to be among the top 15 listed Insurance Companies. Ongoing development in customer service, software, online portal, product enhancements and employee retention will continue to improve the business with a view to increase market share and achieving its goals.

Financial Highlights

Particulars	September 30, 2021 AED '000	September 30, 2020 AED '000	Variance %
Gross Premium Written	310,143	262,644	18%
Administrative & Other Operating Expenses	(34,395)	(28,700)	20%
Net Underwriting Income / (Loss)	(1,394)	(1,632)	15%
Net Investment & Other Income	7,416	4,292	73%
Net Profit / (Loss) for the Period	6,022	2,661	126%

Business Mix	September 30, 2021	September 30, 2020
Commercial	71,448,235	46,513,592
Consumer	96,956,141	100,279,735
Medical and Life	141,738,508	115,850,525
Total	310,142,884	262,643,852



The pie chart depicts the gross written premium by segment. Our main segment covering 77% of the business comprises of Medical and Consumer. The trend chart shows the yearly growth in gross written premium. Fidelity United is well placed to exploit market opportunities and looking forward to playing a major role in the UAE market.

Chairman



UNITED FIDELITY INSURANCE COMPANY

In Conformity with the Federal Law No. 6/2007 Reg. No (8) dated 22/12/1984. Authorized paid-up Capital Dh. 100,000,000

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Review report of the Independent Auditor

To the Shareholders of United Fidelity Insurance Company (Public Shareholding Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Fidelity Insurance Company (Public Shareholding Company) (the “Company”) as at 30 September 2021 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.

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, 10 November 2021



United Fidelity Insurance Company (Public Shareholding Company)
Condensed interim statement of financial position
As at 30 September 2021 (Unaudited)

		<i>30 September</i>	<i>31 December</i>
		<i>2021</i>	<i>2020</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Property and equipment		9,486,002	10,615,134
Investment properties	3	48,300,198	49,800,198
Financial instruments	4	171,750,173	101,387,714
Insurance contract assets	11	140,146,510	139,465,163
Deferred acquisition costs		35,723,419	32,731,217
Insurance receivables	6	100,246,287	75,417,284
Prepayments and other receivables		3,992,580	4,381,157
Statutory deposits	7	10,000,000	6,000,000
Bank balances and cash	8	49,581,423	92,623,858
TOTAL ASSETS		569,226,592	512,421,725
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100,000,000	100,000,000
Statutory reserve	10	503,389	503,389
General reserve	10	1,119,524	1,119,524
Reinsurance reserve	10	771,153	771,153
Investment revaluation reserve	10	8,383,617	(3,970,627)
Accumulated losses	10	(17,683,911)	(23,705,917)
Total equity		93,093,772	74,717,522
Liabilities			
Employees' end of service benefits		2,702,615	2,148,660
Insurance contract liabilities	11	303,814,638	292,965,943
Deferred commission income		9,475,676	6,786,372
Insurance and other payables		154,164,490	129,268,073
Lease liability		5,975,401	6,535,155
Total liabilities		476,132,820	437,704,203
TOTAL EQUITY AND LIABILITIES		569,226,592	512,421,725


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 income statement
For the nine months ended 30 September 2021 (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>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
UNDERWRITING INCOME				
Gross premium	80,018,781	80,381,959	310,142,887	262,643,854
Movement in provision for unearned premium	20,040,304	(2,694,667)	(18,866,552)	(48,229,998)
Movement in premium deficiency reserve	(22,496)	41,763	(33,711)	(55,543)
Insurance premium revenue	<u>100,036,589</u>	<u>77,729,055</u>	<u>291,242,624</u>	<u>214,358,313</u>
Reinsurance share of premium	(36,531,091)	(39,632,606)	(152,935,322)	(129,889,824)
Movement in provision for reinsurance share of unearned premium	(7,867,932)	1,253,926	20,081,853	21,643,435
Reinsurance share of premium revenue	<u>(44,399,023)</u>	<u>(38,378,680)</u>	<u>(132,853,469)</u>	<u>(108,246,389)</u>
Net insurance premium revenue	55,637,566	39,350,375	158,389,155	106,111,924
Reinsurance commission income	4,933,074	3,067,168	12,420,434	8,355,232
Other (expenses)/income	(4,572)	(3,333)	(2,227)	24,028
Total underwriting income	<u>60,566,068</u>	<u>42,414,210</u>	<u>170,807,362</u>	<u>114,491,184</u>
UNDERWRITING EXPENSES				
Claims incurred	(57,270,726)	(43,473,138)	(162,260,965)	(151,076,728)
Reinsurers' share of claims incurred	26,758,201	22,441,687	79,462,602	95,874,909
Net claims incurred	<u>(30,512,525)</u>	<u>(21,031,451)</u>	<u>(82,798,363)</u>	<u>(55,201,819)</u>
Commission expenses including third-party administrator fees	(18,151,744)	(10,041,183)	(50,352,574)	(27,536,511)
Other underwriting expenses	(1,043,473)	(1,834,241)	(4,655,906)	(4,684,477)
General and administration expenses relating to underwriting activities	(11,347,239)	(9,723,731)	(34,394,984)	(28,699,878)
Total underwriting expenses	<u>(61,054,981)</u>	<u>(42,630,606)</u>	<u>(172,201,827)</u>	<u>(116,122,685)</u>
NET UNDERWRITING LOSS	<u>(488,913)</u>	<u>(216,396)</u>	<u>(1,394,465)</u>	<u>(1,631,501)</u>
Investment income	993,278	1,329,573	7,664,137	4,388,799
General and administration expenses not allocated to underwriting activities	(80,081)	(50,029)	(247,666)	(96,632)
PROFIT FOR THE PERIOD	<u>424,284</u>	<u>1,063,148</u>	<u>6,022,006</u>	<u>2,660,666</u>
Basic and diluted earnings per share	14 0.004	0.011	0.060	0.027

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 nine months ended 30 September 2021 (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>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Profit for the period	424,284	1,063,148	6,022,006	2,660,666
OTHER COMPREHENSIVE INCOME				
<i>Item that will be reclassified to profit or loss in subsequent periods</i>				
Net increase / (decrease) in fair value of available-for-sale investments	2,818,027	3,736,545	13,653,704	(11,255,510)
<i>Item that will not be reclassified to profit or loss in subsequent periods</i>				
Net realised loss on disposal of available-for-sale investments transferred to income statement	(322,404)	(249,714)	(1,299,460)	(744,877)
Impairment loss of available-for-sale investments transferred to income statement	-	500,000	-	500,000
Other comprehensive income / (loss) for the period	2,495,623	3,986,831	12,354,244	(11,500,387)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	2,919,907	5,049,979	18,376,250	(8,839,721)

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 nine months ended 30 September 2021 (Unaudited)

	<i>Share capital</i> <i>AED</i>	<i>Statutory reserve</i> <i>AED</i>	<i>General reserve</i> <i>AED</i>	<i>Investment revaluation reserve</i> <i>AED</i>	<i>Reinsurance reserve</i> <i>AED</i>	<i>Accumulated losses</i> <i>AED</i>	<i>Total equity</i> <i>AED</i>
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	-	-	-	-	-	2,660,666	2,660,666
Other comprehensive loss for the period	-	-	-	(11,500,387)	-	-	(11,500,387)
Total comprehensive (loss)/income for the period	-	-	-	(11,500,387)	-	2,660,666	(8,839,721)
Balance at 30 September 2020 (unaudited)	100,000,000	141,187	1,119,524	(10,790,201)	-	(23,533,918)	66,936,592
Balance at 31 December 2020 (audited)	100,000,000	503,389	1,119,524	(3,970,627)	771,153	(23,705,917)	74,717,522
Profit for the period	-	-	-	-	-	6,022,006	6,022,006
Other comprehensive income for the period	-	-	-	12,354,244	-	-	12,354,244
Total comprehensive income for the period	-	-	-	12,354,244	-	6,022,006	18,376,250
Balance at 30 September 2021 (unaudited)	100,000,000	503,389	1,119,524	8,383,617	771,153	(17,683,911)	93,093,772

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 nine months ended 30 September 2021 (Unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit for the period	6,022,006	2,660,666
Adjustments for:		
Investment income	(6,026,651)	(4,676,332)
Gain on sale of available-for-sale investment	(2,154,795)	(2,272,377)
Change in fair value of investments at FVTPL	(1,001,412)	(1,128,779)
Revaluation loss of investment properties	1,500,000	2,500,000
Allowance made for doubtful debts	1,424,566	2,406,478
Gain / (loss) on sale of investments at FVTPL	(156,946)	1,085,012
Depreciation on property and equipment	819,776	761,517
Depreciation on right to use assets	625,230	625,230
Provision for employees' end of service benefits	660,824	633,650
Interest expense on lease liability	194,130	217,530
Amortisation of discount on held-to-maturity investment	-	(252,610)
Gain on disposal of held-to-maturity investment	-	(168,698)
Impairment loss on available-for-sale	-	500,000
	<u>1,906,728</u>	<u>2,891,287</u>
Changes in operating assets and liabilities:		
Insurance contract assets	(681,347)	(51,788,737)
Deferred acquisition cost	(2,992,202)	(9,880,746)
Insurance and other receivables	(26,253,569)	(29,263,629)
Prepayment and other assets	388,577	(742,188)
Insurance contract liabilities	10,848,695	95,095,181
Deferred commission income	2,689,304	952,844
Insurance and other payables	24,896,417	29,918,406
Cash generated from operations	<u>10,802,603</u>	<u>37,182,418</u>
Employees' end of service benefits paid	(106,869)	(101,074)
Net cash generated from operating activities	<u>10,695,734</u>	<u>37,081,344</u>
INVESTING ACTIVITIES		
Net movement in fixed deposits	25,000,000	(14,769,273)
Purchase of investments at FVTPL	(27,263,472)	(34,755,025)
Purchase of held-to-maturity investments	-	(13,676,791)
Purchase of available-for-sale investments	(50,373,303)	(11,306,781)
Purchase of property and equipment	(315,874)	(474,774)
Proceeds from disposal of investments at FVTPL	9,248,344	25,601,238
Proceeds from disposal of available-for-sale investments	13,693,369	12,628,270
Proceeds from disposal of held-to-maturity investments	-	3,662,969
Dividend income received	3,864,969	2,123,358
Interest income received	856,828	1,192,239
Income from investment properties received	1,304,854	1,346,302
Net cash used in investing activities	<u>(23,984,285)</u>	<u>(28,428,268)</u>
FINANCING ACTIVITIES		
Interest paid on lease liability	(194,130)	(217,530)
Payment of principal amount of lease liability	(559,754)	(536,354)
Net cash used in financing activities	<u>(753,884)</u>	<u>(753,884)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	<u>(14,042,435)</u>	<u>7,899,192</u>
Cash and cash equivalents at 1 January	36,623,858	38,096,676
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>22,581,423</u>	<u>45,995,868</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 nine months ended 30 September 2021 (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 Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 25 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

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. These condensed interim financial statements were authorised for issue in accordance with a resolution of the directors on 10 November 2021.

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 30 September 2021 therefore the Company have opted for the temporary exemption from the application of IFRS 9 and defer the implementation date of IFRS 9 until 1 January 2023.

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 2020. In addition, results for the nine months ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. 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 2020.

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 2020, except for application of new standards effective as of 1 January 2021 as several amendments and interpretations apply for the first time in 2021. However, these amendments and interpretations do not have material impact on the condensed interim financial statements of the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

United Fidelity Insurance Company (Public Shareholding Company)
Notes to the condensed interim financial statements
For the nine months ended 30 September 2021 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment losses on insurance receivables

The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs. In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Classification of investment properties

The Company makes judgement to determine whether the properties qualify as investment properties and follows the guidance of IAS 40 'Investment Property' to consider whether any owner-occupied properties are not significant and is classified accordingly as investment properties.

Provision for legal cases

Considerable judgement by management is required in the estimation for legal cases arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

3 INVESTMENT PROPERTIES

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 nine months ended 30 September 2021 (Unaudited)

4 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2021</i>	<i>31 December 2020</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 4(a))	107,996,281	56,807,308	107,996,281	56,807,308
Investments at FVTPL (Note 4(b))	63,753,892	44,580,406	63,753,892	44,580,406
	171,750,173	101,387,714	171,750,173	101,387,714

4(a) Available-for-sale investments

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Quoted Equity Securities</i>		
Within UAE	102,539,643	56,807,308
Outside UAE	5,456,638	-
	107,996,281	56,807,308

4(b) Investments at fair value through profit or loss

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Outside UAE</i>		
Unquoted Equity Securities	2,280,351	2,214,750
Quoted Bonds	7,584,099	7,449,960
Quoted Structured Products	4,022,379	3,503,745
Unquoted mutual fund units	26,534,671	20,111,326
Unquoted investment in real estate	23,332,392	11,300,625
	63,753,892	44,580,406

5 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 2020.

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.

United Fidelity Insurance Company (Public Shareholding Company)
Notes to the condensed interim financial statements
For the nine months ended 30 September 2021 (Unaudited)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>	<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservabl e inputs</i>
<u>Available - for - sale investments</u>					
Quoted investments	107,996,281	56,807,308	Level 1	Quoted bid prices in an active market	N/A
<u>Investments at fair value through profit or loss</u>					
Unquoted investments	52,147,414	33,626,701	Level 3	Net assets valuation method	N/A
Quoted investments	11,606,478	10,953,705	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:

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Opening balance	33,626,701	2,203,465
Purchased during the period/year	17,773,343	33,712,478
Disposal during the year	-	(4,446,762)
Fair value adjustment	747,370	2,157,520
Closing balance	<u>52,147,414</u>	<u>33,626,701</u>

6 INSURANCE RECEIVABLES

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Due from policyholders and brokers	102,771,332	80,353,204
Due from insurance companies	4,719,910	6,424,345
Due from reinsurance companies	4,703,231	559,290
Less: allowance for doubtful debts	<u>(11,948,186)</u>	<u>(11,919,555)</u>
	<u>100,246,287</u>	<u>75,417,284</u>

All of the amounts are due within twelve months of the reporting date. The amounts due from reinsurers are normally settled on a quarterly basis.

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6 INSURANCE RECEIVABLES (continued)

Movements in the allowance for doubtful debts were as follows:

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Opening balance	11,919,555	11,193,156
Provided during the period/year	1,424,566	3,146,983
Allowances written back during the period/year	(1,212,466)	(2,035,399)
Bad debts written off during the period/year	(183,469)	(385,185)
Closing balance	<u>11,948,186</u>	<u>11,919,555</u>

7 STATUTORY DEPOSITS

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Restricted bank deposits	<u>10,000,000</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 0.2% to 3.3% (31 December 2020: 0.25% to 4.25%).

8 BANK BALANCES AND CASH

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

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Current accounts and cash	6,872,713	8,644,184
Call accounts	15,708,710	27,979,674
Fixed bank deposits	27,000,000	56,000,000
	<u>49,581,423</u>	<u>92,623,858</u>

Bank balances and cash include balances amounting to AED 4.65 million with banks outside United Arab Emirates. The annual rate of fixed bank deposits is 0.45% to 3.3% (31 December 2020: 0.25% to 4.25%). All fixed bank deposits with banks mature within different periods not exceeding one year from the financial date of deposit after three months period from the reporting date.

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>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>	<i>30 September 2020 AED (Unaudited)</i>
Bank balances and cash	49,581,423	92,623,858	91,995,868
Bank deposits with maturity over 3 months	<u>(27,000,000)</u>	<u>(56,000,000)</u>	<u>(46,000,000)</u>
	<u>22,581,423</u>	<u>36,623,858</u>	<u>45,995,868</u>

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9 SHARE CAPITAL

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Issued and fully paid 100,000,000 shares of AED 1 each (31 December 2020: 100,000,000 shares of AED 1 each)	100,000,000	100,000,000

10 RESERVES

Statutory reserve

In accordance with the UAE Commercial Companies Law and the Group's Article of Association, the Group has resolved not to increase the statutory reserve above an amount equal to 50% of its paid-up share capital. Accordingly, no transfers have been made during the nine months period ended 30 September 2021. The reserve is not available for distribution except in the circumstances stipulated by the law.

General reserve

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

Reinsurance Reserve

In accordance with Insurance Authority's Board of Directors' Decision No. 23, Article 34, an amount of AED 771,153 was transferred from retained earnings to reinsurance reserve during the year ended 31 December 2020. The reserve is not available for distribution and will not be disposed of without prior approval from Insurance Authority.

Investment revaluation reserve

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

11 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Unearned premiums	182,092,746	163,226,194
Claims reported unsettled	92,459,684	100,946,189
Claims incurred but not reported	26,866,379	26,322,974
Unallocated loss adjustment expenses	1,737,841	1,846,309
Premium deficiency reserve	657,988	624,277
	303,814,638	292,965,943
	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Unearned premiums	84,801,196	64,719,343
Claims reported unsettled	41,935,233	60,971,085
Claims incurred but not reported	13,410,081	13,774,735
	140,146,510	139,465,163

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11 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract liabilities - net:</i>		
Unearned premiums	97,291,550	98,506,851
Claims reported unsettled	50,524,451	39,975,104
Claims incurred but not reported	13,456,298	12,548,239
Unallocated loss adjustment expenses	1,737,841	1,846,309
Premium deficiency reserve	657,988	624,277
	<u>163,668,128</u>	<u>153,500,780</u>

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

12 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.

Affiliates of major shareholders:

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

	<i>30 September 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Due from policyholders	3,793,970	3,161,857
Outstanding claims	<u>129,222</u>	<u>483,073</u>

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>2021 AED</i>	<i>2020 AED</i>	<i>2021 AED</i>	<i>2020 AED</i>
<i>Affiliates of major shareholders:</i>				
Premiums	(2,769,035)	335,418	12,669,861	13,947,386
Claims	(1,726,413)	(2,137,496)	(6,882,664)	(5,852,776)
Management fee paid to Fidelity Assurance and Reinsurance SARL	-	276,000	-	828,000
			<u>-</u>	<u>828,000</u>

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12 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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Remuneration of key management personnel	686,729	461,904	3,227,855	2,119,401

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

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13 SEGMENTAL INFORMATION

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 insurance segment, comprises property, fire, marine, motor, medical, life, general accident and miscellaneous risks.
- Investment comprises financial assets at FVTPL, available-for-sale investments, held-to-maturity investments, investment properties and fixed deposits.

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

	General Insurance		Medical and Life Insurance		Investment		Total	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	AED	AED	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross premium	168,404,379	146,793,328	141,738,508	115,850,526	-	-	310,142,887	262,643,854
Reinsurance Share of gross premium	(63,001,443)	(49,524,834)	(89,933,879)	(80,364,990)	-	-	(152,935,322)	(129,889,824)
Net movement in provision for UPR and PDR	11,490,142	(20,384,740)	(10,308,552)	(6,257,366)	-	-	1,181,590	(26,642,106)
Net Insurance premium revenue	116,893,078	76,883,754	41,496,077	29,228,170	-	-	158,389,155	106,111,924
Reinsurance commission income	12,420,434	8,355,232	-	-	-	-	12,420,434	8,355,232
Other income	(2,227)	24,028	-	-	-	-	(2,227)	24,028
Total underwriting income	129,311,285	85,263,014	41,496,077	29,228,170	-	-	170,807,362	114,491,184
Claims incurred	(72,009,201)	(79,181,034)	(90,251,764)	(71,895,694)	-	-	(162,260,965)	(151,076,728)
Reinsurers' share of claims incurred	8,944,544	38,781,507	70,518,058	57,093,402	-	-	79,462,602	95,874,909
Net claims incurred	(63,064,657)	(40,399,527)	(19,733,706)	(14,802,292)	-	-	(82,798,363)	(55,201,819)
Commission expenses including third-party administrator fees	(35,664,329)	(17,158,590)	(14,688,245)	(10,377,921)	-	-	(50,352,574)	(27,536,511)
Other underwriting expenses	(4,179,557)	(4,137,510)	(476,349)	(546,967)	-	-	(4,655,906)	(4,684,477)
General and administration expenses relating to underwriting activities	(25,160,484)	(20,441,272)	(9,234,500)	(8,258,606)	-	-	(34,394,984)	(28,699,878)
Total underwriting expenses	(128,069,027)	(82,136,899)	(44,132,800)	(33,985,786)	-	-	(172,201,827)	(116,122,685)
Net underwriting loss	1,242,258	3,126,115	(2,636,723)	(4,757,616)	-	-	(1,394,465)	(1,631,501)
Investment income	-	-	-	-	7,664,137	4,388,799	7,664,137	4,388,799
General and administration expenses not allocated to underwriting activities	-	-	-	-	(247,666)	(96,632)	(247,666)	(96,632)
Profit for the period	-	-	-	-	(247,666)	(96,632)	(247,666)	(96,632)
							6,022,006	2,660,666

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13 SEGMENTAL INFORMATION (continued)

Identification of reportable segments (continued)

Primary segment information (continued)

	General Insurance		Medical and Life Insurance		Investment		Total	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
	AED	AED	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets								
Unallocated assets	199,991,024	153,543,721	76,125,192	94,069,943	247,050,371	207,187,912	523,166,587	454,801,576
Total assets	199,991,023	153,543,721	76,125,192	94,069,943	247,050,371	207,187,912	46,060,005	57,620,149
Segment liabilities								
Unallocated liabilities	264,513,895	277,622,372	202,940,909	151,398,016	-	-	467,454,804	429,020,388
Total liabilities	264,513,895	277,622,372	202,940,909	151,398,016	-	-	8,678,016	8,683,815
							476,132,820	437,704,203

The Company's operations are primarily conducted in the United Arab Emirates. 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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13 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 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	<i>2021 AED</i>	<i>2020 AED</i>	<i>2021 AED</i>	<i>2020 AED</i>
Medical	32,402,434	36,260,679	140,048,304	115,101,108
Motor	22,243,348	28,717,743	96,692,309	100,250,764
Engineering, Casualty and others	9,598,858	6,506,248	27,294,553	21,950,161
Property	12,205,845	6,439,517	32,381,110	17,558,882
Marine	3,197,127	2,197,800	12,036,408	7,033,528
Group life	371,169	259,972	1,690,203	749,411
	80,018,781	80,381,959	310,142,887	262,643,854

14 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 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period (AED)	424,284	1,063,148	6,022,006	2,660,666
Weighted average number of shares outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000
Earnings per share (AED)	0.004	0.011	0.060	0.027

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

15 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 September 2021, 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 10,724,631 (31 December 2020: 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.

Capital and Lease Commitments

The Company has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less) and for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. At 30 September 2021, the Company's capital and short-term lease commitments are payable as follows:

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15 CONTINGENCIES AND COMMITMENTS (continued)

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>AED</i>	<i>AED</i>
Capital commitments - less than one year	108,663	67,004
Short-term lease commitments - less than one year	1,291,475	2,174,475
	<u>1,400,138</u>	<u>2,241,479</u>

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. Further, the Company is continuing to monitor the impact of COVID-19 on its financial performance. To date, there has been no significant impact on the credit risk or instances of default. Accordingly, results for the period ended 30 September 2021 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 2021.