

**United Fidelity Insurance Company
(P.S.C.)**

**Condensed interim financial statements
For the period ended 31 March 2021 (Unaudited)**



Grant Thornton

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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.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Fidelity Insurance Company (P.S.C.) (the “Company”) as of 31 March 2021 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three months period then ended and explanatory information. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

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

Grant Thornton
Farouk Mohamed

Registration No: 86
Dubai, 29 April 2021



United Fidelity Insurance Company (P.S.C.)

**Condensed interim statement of financial position
As at 31 March 2021 (Unaudited)**

		<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
	<i>Notes</i>		
ASSETS			
Property and equipment		10,178,747	10,615,134
Investment properties	3	49,800,198	49,800,198
Financial instruments	4	123,201,988	101,387,714
Insurance contract assets	11	154,925,752	139,465,163
Deferred acquisition costs		40,787,401	32,731,217
Insurance receivables	6	115,133,758	75,417,284
Prepayments and other receivables		7,699,700	4,381,157
Statutory deposits	7	6,000,000	6,000,000
Bank balances and cash	8	80,541,758	92,623,858
TOTAL ASSETS		588,269,302	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	(2,886,468)	(3,970,627)
Accumulated losses		(19,867,376)	(23,705,917)
Total equity		79,640,222	74,717,522
Liabilities			
Employees' end of service benefits		2,300,499	2,148,660
Insurance contract liabilities	11	324,344,270	292,965,943
Deferred commission income		9,040,361	6,786,372
Insurance and other payables		166,595,379	129,268,073
Lease liability		6,348,571	6,535,155
Total liabilities		508,629,080	437,704,203
TOTAL EQUITY AND LIABILITIES		588,269,302	512,421,725


Chairman


Chief Executive Office

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

United Fidelity Insurance Company (P.S.C.)

Condensed interim income statement

For the three months ended 31 March 2021 (Unaudited)

	Note	Three months ended 31 March (Unaudited)	
		2021 AED	2020 AED
UNDERWRITING INCOME			
Gross premium		136,842,956	108,931,676
Movement in provision for unearned premium		(43,840,234)	(44,060,466)
Movement in premium deficiency reserve		(47,822)	(107,390)
Insurance premium revenue		92,954,900	64,763,820
Reinsurance share of premium		(75,490,973)	(57,091,558)
Movement in provision for reinsurance share of unearned premium		30,841,163	24,007,639
Reinsurance share of premium revenue		(44,649,810)	(33,083,919)
Net insurance premium revenue		48,305,090	31,679,901
Reinsurance commission income		3,438,781	2,665,274
Other income		2,019	31,609
Total underwriting income		51,745,890	34,376,784
UNDERWRITING EXPENSES			
Claims incurred		(45,206,699)	(63,125,287)
Reinsurers' share of claims incurred		21,024,713	44,358,707
Net claims incurred		(24,181,986)	(18,766,580)
Commission expenses including third-party administrator fees		(14,655,842)	(8,117,035)
Other underwriting expenses		(2,325,893)	(273,391)
General and administration expenses relating to underwriting activities		(11,368,351)	(9,318,465)
Total underwriting expenses		(52,532,072)	(36,475,471)
NET UNDERWRITING LOSS		(786,182)	(2,098,687)
Investment income - net		4,710,239	2,686,048
General and administration expenses not allocated to underwriting activities		(85,516)	(46,009)
PROFIT FOR THE PERIOD		3,838,541	541,352
Basic and diluted earnings per share	14	0.038	0.005

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

United Fidelity Insurance Company (P.S.C.)

**Condensed interim statement of comprehensive income
For the three months ended 31 March 2021 (Unaudited)**

	<i>Three months ended 31 March (Unaudited)</i>	
	2021	2020
	AED	AED
Profit for the period	3,838,541	541,352
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income / (loss) that would be reclassified to profit or loss in subsequent periods</i>		
Net increase / (decrease) in fair value of available-for-sale investments	1,670,570	(17,693,331)
Net realised gain on disposal of available-for-sale investments transferred to income statement	(586,411)	(540,481)
Other comprehensive income / (loss) for the period	1,084,159	(18,233,812)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	4,922,700	(17,692,460)

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

United Fidelity Insurance Company (P.S.C.)

Condensed interim statement of changes in equity For the three months ended 31 March 2021 (Unaudited)

	Share capital AED	Statutory reserve AED	General reserve AED	Reinsurance reserve AED	Investment revaluation reserve AED	Accumulated losses AED	Total AED
Balance at 31 December 2019 (audited)	100,000,000	141,187	1,119,524	-	710,186	(26,194,584)	75,776,313
Profit for the period	-	-	-	-	-	541,352	541,352
Other comprehensive loss for the period	-	-	-	-	(18,233,812)	-	(18,233,812)
Total comprehensive (loss)/income for the period	-	-	-	-	(18,233,812)	541,352	(17,692,460)
Balance at 31 March 2020 (unaudited)	100,000,000	141,187	1,119,524	-	(17,523,626)	(25,653,232)	58,083,853
Balance at 31 December 2020 (audited)	100,000,000	503,389	1,119,524	771,153	(3,970,627)	(23,705,917)	74,717,522
Profit for the period	-	-	-	-	-	3,838,541	3,838,541
Other comprehensive income for the period	-	-	-	-	1,084,159	-	1,084,159
Total comprehensive income for the period	-	-	-	-	1,084,159	3,838,541	4,922,700
Balance at 31 March 2021 (unaudited)	100,000,000	503,389	1,119,524	771,153	(2,886,468)	(19,867,376)	79,640,222

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

United Fidelity Insurance Company (P.S.C.)

Condensed interim statement of cash flows For the three months ended 31 March 2021 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
Note	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	3,838,541	541,352
Adjustments for:		
Change in fair value of investments at FVTPL	(63,141)	(280,663)
(Gain)/loss on sale of investments at FVTPL	(22,028)	756,763
Investment income	(3,748,723)	(2,599,460)
Gain on sale of available-for-sale investment	(897,700)	(562,688)
Allowance made for doubtful debts	266,152	302,541
Allowance written back for doubtful debts	(76,444)	(866,369)
Depreciation on property and equipment	278,311	254,762
Depreciation on right to use assets	208,410	208,410
Provision for employees' end of service benefits	170,924	206,970
Interest on lease liability	64,710	72,510
	<u>19,012</u>	<u>(1,965,872)</u>
Changes in operating assets and liabilities:		
Insurance contract assets	(15,460,589)	(46,072,034)
Deferred acquisition cost	(8,056,184)	(6,676,801)
Insurance and other receivables	(39,906,182)	(24,745,014)
Prepayment and other assets	(3,318,543)	(3,433,499)
Insurance contract liabilities	31,378,327	70,594,937
Deferred commission income	2,253,989	1,512,714
Insurance and other payables	37,327,306	18,614,917
Cash generated from operations	<u>4,237,136</u>	<u>7,829,348</u>
Employees' end of service benefits paid	(19,085)	(77,070)
Net cash generated from operating activities	<u>4,218,051</u>	<u>7,752,278</u>
INVESTING ACTIVITIES		
Net movement in fixed deposits	20,000,000	(4,769,273)
Purchase of property and equipment	(50,334)	(132,355)
Proceeds from disposal of available-for-sale investments	3,806,521	1,727,208
Purchase of available-for-sale investments	(13,648,470)	(3,944,788)
Interest received	312,591	503,008
Income from investment properties received	579,892	315,087
Dividend income received	2,856,240	1,784,487
Proceeds from sale of investments at FVTPL	3,752,520	14,166,940
Purchase of investments at FVTPL	(13,657,817)	(28,646,193)
Net cash generated from/(used in) investing activities	<u>3,951,143</u>	<u>(18,995,879)</u>
FINANCING ACTIVITIES		
Interest paid on lease liability	(64,710)	(72,510)
Payment of lease liability	(186,584)	(178,784)
Net cash used in financing activities	<u>(251,294)</u>	<u>(251,294)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	7,917,900	(11,494,895)
Cash and cash equivalents at 1 January	36,623,858	38,096,676
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>44,541,758</u>	<u>26,601,781</u>
10		

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

United Fidelity Insurance Company (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 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 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 29 April 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 31 March 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 three months ended 31 March 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 (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 2021 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and judgements 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 property

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

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 (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 2021 (Unaudited)

4 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Available-for-sale investments (a)	68,631,116	56,807,308	68,631,116	56,807,308
Financial asset at fair value through profit or loss (b)	54,570,872	44,580,406	54,570,872	44,580,406
	123,201,988	101,387,714	123,201,988	101,387,714

(a) Available-for-sale investments

	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Within UAE</i>		
Quoted shares	68,631,116	56,807,308

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

	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Outside UAE</i>		
Unquoted mutual fund units	22,023,368	20,111,326
Unquoted investments in real estate fund	15,619,853	11,300,625
Quoted bonds	7,588,509	7,449,960
Quoted structured products	7,084,651	3,503,745
Unquoted equity securities	2,254,491	2,214,750
	54,570,872	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 (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 2021 (Unaudited)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>31 March 2021</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December 2020</i> <i>AED</i> <i>(Audited)</i>	<i>Fair</i> <i>value</i> <i>hierarchy</i>	<i>Valuation</i> <i>techniques and</i> <i>key inputs</i>	<i>Significant</i> <i>unobservable</i> <i>inputs</i>
Available-for-sale					
Quoted investments	68,631,116	56,807,308	Level 1	Quoted bid prices in an active market	N/A
Financial assets at fair value through profit or loss					
Quoted investments	14,673,160	10,953,705	Level 1	Quoted bid prices in an active market	N/A
Unquoted investments	39,897,712	33,626,701	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</i> <i>2021</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2020</i> <i>AED</i> <i>(Audited)</i>
Opening balance	33,626,701	2,203,465
Purchase during the year	6,325,721	33,712,478
Disposal during the year	-	(4,446,762)
Fair value adjustment	(54,710)	2,157,520
Closing balance	<u>39,897,712</u>	<u>33,626,701</u>

6 INSURANCE RECEIVABLES

	<i>31 March</i> <i>2021</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2020</i> <i>AED</i> <i>(Audited)</i>
Due from policyholders and brokers	118,375,835	80,353,204
Due from insurance companies	4,807,228	6,424,345
Due from reinsurance companies	3,997,400	559,290
Less: Allowance for doubtful debts	(12,046,705)	(11,919,555)
	<u>115,133,758</u>	<u>75,417,284</u>

All of the above amounts are due within twelve months of the reporting date. 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</i> <i>2021</i> <i>AED</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2020</i> <i>AED</i> <i>(Audited)</i>
Opening balance	11,919,555	11,193,156
Provided during the period / year	266,152	3,146,983
Allowance written back during the period / year	(76,444)	(2,035,399)
Bad debts written off during the period / year	(62,558)	(385,185)
Closing balance	<u>12,046,705</u>	<u>11,919,555</u>

United Fidelity Insurance Company (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 2021 (Unaudited)

7 STATUTORY DEPOSITS

Statutory deposits represent 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 earning an interest per annum of 0.25% to 4.25% (31 December 2020: 0.25% to 4.25%).

8 BANK BALANCES AND CASH

Bank balances and cash included the following:

	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
Current accounts and cash	25,420,367	8,644,184
Call accounts	19,121,391	27,979,674
Bank deposits	<u>36,000,000</u>	<u>56,000,000</u>
	<u>80,541,758</u>	<u>92,623,858</u>

The entire cash and cash equivalents are within United Arab Emirates. The annual rate of fixed deposits is 0.25% to 4.25% (31 December 2020: 0.25% to 4.25%). For the purpose of statement of cash flows, cash and cash equivalents include bank balances and cash net of fixed deposits in bank with maturity over three months and fixed deposits under lien. Cash and cash equivalents at the end of the period / year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>	<i>31 March 2020 AED (Unaudited)</i>
Bank balances and cash	80,541,758	92,623,858	62,601,781
Bank deposits with maturity over 3 months	<u>(36,000,000)</u>	<u>(56,000,000)</u>	<u>(36,000,000)</u>
Cash and cash equivalents	<u>44,541,758</u>	<u>36,623,858</u>	<u>26,601,781</u>

9 SHARE CAPITAL

	<i>31 March 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)	<u>100,000,000</u>	<u>100,000,000</u>

10 RESERVES

Statutory reserve

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

General reserve

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

United Fidelity Insurance Company (P.S.C.)

Notes to the condensed interim financial statements For the three months ended 31 March 2021 (Unaudited)

10 RESERVES (continued)

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>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract liabilities:</i>		
Unearned premiums reserve (UPR)	207,066,428	163,226,194
Premium deficiency reserve (PDR)	672,099	624,277
Claims reported unsettled (OS claims)	86,892,454	100,946,189
Claims incurred but not reported (IBNR)	27,693,027	26,322,974
Unallocated loss adjustment expenses (ULAE)	2,020,262	1,846,309
	<u>324,344,270</u>	<u>292,965,943</u>
	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract assets:</i>		
Unearned premiums	95,560,506	64,719,343
Claims reported unsettled	45,450,453	60,971,085
Claims incurred but not reported	13,914,793	13,774,735
	<u>154,925,752</u>	<u>139,465,163</u>
	<i>31 March 2021 AED (Unaudited)</i>	<i>31 December 2020 AED (Audited)</i>
<i>Insurance contract liabilities - net:</i>		
Unearned premiums reserve	111,505,922	98,506,851
Premium deficiency reserve	672,099	624,277
Claims reported unsettled	41,442,001	39,975,104
Claims incurred but not reported (IBNR)	13,778,234	12,548,239
Unallocated loss adjustment expenses	2,020,262	1,846,309
	<u>169,418,518</u>	<u>153,500,780</u>

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

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12 SEGMENTAL INFORMATION

Primary segment information

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

- The general insurance segment, comprises property, engineering, marine, motor, general accident and miscellaneous risks.
- The medical and life segment includes medical and group life.
- Investment comprises financial assets at FVTPL, available-for-sale investments, investment properties and bank deposits.

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

	General insurance		Medical and life insurance		Investment		Total	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	AED	AED	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross premium	68,309,922	58,410,145	68,533,034	50,521,531	-	-	136,842,956	108,931,676
Reinsurance share of gross premium	(28,005,786)	(21,499,678)	(47,485,187)	(35,591,880)	-	-	(75,490,973)	(57,091,558)
Net movement in provision for UPR and PDR	(4,293,603)	(15,121,958)	(8,753,290)	(5,038,259)	-	-	(13,046,893)	(20,160,217)
Net insurance premium revenue	36,010,533	21,788,509	12,294,557	9,891,392	-	-	48,305,090	31,679,901
Reinsurance commission income	3,438,781	2,665,274	-	-	-	-	3,438,781	2,665,274
Other income	2,019	31,609	-	-	-	-	2,019	31,609
Total underwriting income	39,451,333	24,485,392	12,294,557	9,891,392	-	-	51,745,890	34,376,784
Claims incurred	(18,285,183)	(40,829,879)	(26,921,516)	(22,295,408)	-	-	(45,206,699)	(63,125,287)
Reinsurers' share of claims incurred	(542,079)	26,768,651	21,566,792	17,590,056	-	-	21,024,713	44,358,707
Net claims incurred	(18,827,262)	(14,061,228)	(5,354,724)	(4,705,352)	-	-	(24,181,986)	(18,766,580)
Commission expenses including third-party administrator fees	(10,254,167)	(4,932,413)	(4,401,675)	(3,184,622)	-	-	(14,655,842)	(8,117,035)
Other underwriting (expenses)/income	(2,056,276)	(744,814)	(269,617)	471,423	-	-	(2,325,893)	(273,391)
General and administration expenses relating to underwriting activities	(8,083,843)	(6,540,477)	(3,284,508)	(2,777,988)	-	-	(11,368,351)	(9,318,465)
Total underwriting expenses	(39,221,548)	(26,278,932)	(13,310,524)	(10,196,539)	-	-	(52,532,072)	(36,475,471)
Net underwriting profit/(loss)	229,785	(1,793,540)	(1,015,967)	(305,147)	-	-	(786,182)	(2,098,687)
Investment income - net	-	-	-	-	4,710,239	2,686,048	4,710,239	2,686,048
Unallocated general and administration expenses	-	-	-	-	-	-	(85,516)	(46,009)
Profit for the period	-	-	-	-	4,710,239	2,686,048	3,838,541	541,352

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12 SEGMENTAL INFORMATION (continued)

Primary segment information (continued)

	General insurance		Medical and life insurance		Investment		Total	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
	AED	AED	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	163,770,999	153,543,721	147,075,912	94,069,943	209,002,186	207,137,912	519,849,097	454,801,576
Unallocated assets	-	-	-	-	-	-	68,420,205	57,620,149
Total assets	163,770,999	153,543,721	147,075,912	94,069,943	209,002,186	207,137,912	588,269,302	512,421,725
Segment liabilities	279,450,975	277,622,372	220,529,035	151,398,016	-	-	499,980,010	429,020,388
Unallocated liabilities	-	-	-	-	-	-	8,649,070	8,683,815
Total liabilities	279,450,975	277,622,372	220,529,035	151,398,016	-	-	508,629,080	437,704,203

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 reportable segments. These amounts are not significant and are not reported separately.

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12 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>31 March</i>	
	<i>(Unaudited)</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
Motor	39,023,035	37,918,999
Marine	5,540,944	2,952,128
Medical	67,869,030	50,377,068
Property	13,954,269	8,293,793
Engineering, general accidents and others	9,791,674	9,317,456
Group life	664,004	72,232
	<u>136,842,956</u>	<u>108,931,676</u>

13 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>31 March</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	12,209,555	3,161,857
Outstanding claims	397,778	483,073
	<u>12,607,333</u>	<u>3,644,930</u>

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

	<i>31 March</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Affiliates of major shareholders:</i>		
Premiums	12,688,689	10,960,076
Claims	(2,381,997)	(2,255,234)
Management fee paid to Fidelity Assurance and Reinsurance SARL	(276,000)	(276,000)
	<u>10,030,692</u>	<u>8,428,842</u>

Compensation of the key management personnel:

	<i>31 March</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Remuneration of key management personnel	1,854,749	1,645,781
	<u>1,854,749</u>	<u>1,645,781</u>

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

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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</i>	
	<i>31 March</i>	
	<i>(Unaudited)</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
Profit for the period (AED)	3,838,541	541,352
Weighted average number of shares outstanding during the period	100,000,000	100,000,000
Earnings per share (AED)	<u>0.038</u>	<u>0.005</u>

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

15 CONTINGENCIES

Contingent liabilities

At 31 March 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 6,650,691 (31 December 2020: AED 6,650,691).

Legal claims

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

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 31 March 2021, the Company's capital and short-term lease commitments are payable as follows:

	<i>31 March</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	85,175	67,004
Short-term lease commitments - less than one year	1,424,475	2,174,475
	<u>1,509,650</u>	<u>2,241,479</u>

16 SEASONALITY OF RESULTS AND IMPACT OF COVID-19

The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Also, the Company is continuing to monitor the impact of COVID-19 on its financial performance. To date, no significant impact on the credit risk or instances of default have been noted by the management. Accordingly, results for the period ended 31 March 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.