

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
For the three-month and six-month periods ended
30 June 2021

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
As at 30 June 2021

INDEX	PAGE
Independent auditor's report on review of condensed interim financial statements	2
Condensed interim statement of financial position	3 – 4
Condensed interim statement of income	5 – 6
Condensed interim statement of comprehensive income	7
Condensed interim statement of changes in equity	8
Condensed interim statement of cash flows	9 – 10
Notes to the condensed interim financial statements	11 – 53



KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF
UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Cooperative Assurance Company - a Saudi Joint Stock Company (the "Company") as at 30 June 2021, and the related condensed interim statements of income and condensed interim comprehensive income for the three-month and six-month periods then ended and the condensed interim statements of changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. 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 that are endorsed in the Kingdom of Saudi Arabia 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" that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of United Cooperative Assurance Company for the year ended 31 December 2020 and the condensed interim financial statements for the three-month period ended 31 March 2021 were audited and reviewed respectively by another auditor who has expressed an unmodified opinion and conclusion thereon vide their reports dated 31 March 2021 and 24 May 2021 respectively.

For KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, Kingdom of Saudi Arabia
Date: 19 August 2021
corresponding to Muharram 11, 1443 AH

for Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. Al Azem
License No. 335



UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>SAR'000</i>			
ASSETS			
Cash and cash equivalents	4.1	12,968	61,735
Short term deposits	4.2	-	22,656
Premiums and reinsurers' receivable – net	5	256,524	239,606
Reinsurers' share of unearned premiums	7	175,801	209,598
Reinsurers' share of outstanding claims	7	39,070	41,720
Reinsurers' share of claims incurred but not reported	7	121,150	126,264
Deferred policy acquisition costs		11,848	12,645
Investments	6	280,861	288,366
Prepaid expenses and other assets		59,450	68,487
Property and equipment – net		11,024	10,346
Intangible assets		6,970	4,598
Right-of-use assets – net	8.1	5,907	7,556
Goodwill	9	78,400	78,400
Statutory deposit	10	60,000	60,000
Accrued commission income on statutory deposit	10	5,251	4,904
TOTAL ASSETS		1,125,224	1,236,881

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – (continued)

As at 30 June 2021

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>SAR'000</i>			
LIABILITIES			
Policyholders payable		11,316	5,396
Accrued and other liabilities		62,014	46,614
Reinsurers balances payable		143,193	156,440
Unearned premiums	7	255,479	302,452
Unearned reinsurance commission		25,314	34,994
Outstanding claims	7	68,722	62,921
Claims incurred but not reported	7	160,542	169,749
Premium deficiency reserve	7	20,326	25,748
Other technical reserves	7	16,413	13,378
Employees' defined benefit obligations		10,015	10,288
Lease liabilities	8.2	4,968	6,397
Surplus from insurance operation		37,053	37,053
Zakat and income tax payable	15	10,846	21,750
Accrued commission income on statutory deposit payable to SAMA	10	5,251	4,904
TOTAL LIABILITIES		831,452	898,084
Fair value reserve on investments - insurance operations	6.1	(751)	3,734
TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE		830,701	901,818
EQUITY			
Share capital	16	400,000	400,000
Statutory reserve		31,944	31,944
Accumulated losses		(145,545)	(108,025)
Fair value reserve on investments	6.2	6,000	9,020
Re-measurement reserve of employees' defined benefit obligations		2,124	2,124
TOTAL EQUITY		294,523	335,063
TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE AND EQUITY		1,125,224	1,236,881
Commitments and contingencies	11	23,496	23,496



Chief Financial Officer



Chief Executive Officer



Director

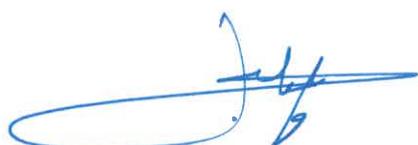
The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2021

	Notes	Three-month period ended		Six-month period ended	
		30 June		30 June	
		2021	2020	2021	2020
		SAR'000	SAR'000	SAR'000	SAR'000
REVENUES					
Gross premiums written	13.1	91,122	148,511	207,262	389,157
Reinsurance premiums ceded					
- Local		(2,892)	(6,738)	(8,830)	(16,686)
- Foreign		(58,173)	(78,079)	(111,318)	(252,241)
		(61,065)	(84,817)	(120,148)	(268,927)
Excess of loss expenses					
- Local		(546)	(171)	(758)	(342)
- Foreign		(1,978)	(968)	(3,335)	(1,936)
		(2,524)	(1,139)	(4,093)	(2,278)
<i>Net premiums written</i>		27,533	62,555	83,021	117,952
Changes in unearned premiums, net		17,651	(33,623)	13,176	(74,549)
<i>Net premiums earned</i>		45,184	28,932	96,197	43,403
Reinsurance commissions earned		11,885	9,845	23,887	17,004
TOTAL REVENUES		57,069	38,777	120,084	60,407
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		72,601	16,739	155,795	36,745
Reinsurers' share of claims paid		(22,376)	(7,166)	(51,790)	(15,688)
<i>Net claims paid</i>		50,225	9,573	104,005	21,057
Changes in outstanding claims, net		4,880	1,794	8,451	(289)
Changes in claims incurred but not reported, net		(3,550)	(4,409)	(4,093)	(7,096)
<i>Net claims incurred</i>		51,555	6,958	108,363	13,672
Premium deficiency reserve		(5,175)	(111)	(5,422)	2,547
Other technical reserves		449	2,148	3,035	1,285
Policy acquisition costs		5,990	3,461	12,126	5,871
Other underwriting expenses		866	647	1,716	1,203
TOTAL UNDERWRITING COSTS AND EXPENSES		53,685	13,103	119,818	24,578
NET UNDERWRITING RESULT		3,384	25,674	266	35,829



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF INCOME (Unaudited) – (continued)

For the three-month and six-month periods ended 30 June 2021

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
General and administrative expenses		(22,133)	(21,101)	(45,547)	(40,953)
Provision / (reversal) for doubtful receivables	5	10,346	(13,800)	7,558	(9,487)
Board remuneration	14.2	(536)	(205)	(929)	(475)
Commission income on investments		2,315	3,261	4,620	5,184
Realized gain on investments	6	-	4,246	-	4,246
Other income		94	510	512	1,151
TOTAL OTHER OPERATING EXPENSES, NET		(9,914)	(27,089)	(33,786)	(40,334)
LOSS FOR THE PERIOD		(6,530)	(1,415)	(33,520)	(4,505)
NET LOSS ATTRIBUTED TO THE INSURANCE OPERATIONS		-	-	-	-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX		(6,530)	(1,415)	(33,520)	(4,505)
Zakat	15	(1,900)	(1,900)	(3,800)	(3,800)
Income tax	15	(100)	(100)	(200)	(200)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		(8,530)	(3,415)	(37,520)	(8,505)
Weighted average number of ordinary shares outstanding (in thousands share)		40,000	40,000	40,000	40,000
Basic and diluted loss per share for the period (SAR)	18	(0.21)	(0.09)	(0.94)	(0.21)



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the three-month and six-month periods ended 30 June 2021

Notes	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(8,530)	(3,415)	(37,520)	(8,505)
Other comprehensive income / (loss)				
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>				
Available-for-sale investments:				
- Net change in fair value	434	(2,573)	(7,505)	8,022
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(8,096)	(5,988)	(45,025)	(483)
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS	(1,000)	2,438	4,485	(5,717)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(9,096)	(3,550)	(40,540)	(6,200)



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASHFLOWS (Unaudited)
For the six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 SAR'000	2020 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period before zakat and income tax		(33,520)	(4,505)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment and intangible assets		1,896	1,306
Depreciation of right-of-use assets	8.1	1,591	526
Finance cost on lease liabilities	8.2	62	48
(Reversal) / provision for doubtful receivables	5	(7,558)	9,487
Realized gain on investments	6	-	(4,246)
Provision for employees' defined benefit obligations		1,137	516
		(36,392)	3,132
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(9,360)	(168,957)
Reinsurers' share of unearned premiums		33,797	(147,750)
Reinsurers' share of outstanding claims		2,650	4,456
Reinsurers' share of claims incurred but not reported		5,114	(6,776)
Deferred policy acquisition costs		797	(6,319)
Prepaid expenses and other assets		9,037	(8,333)
Policyholders payable		5,920	(10,126)
Accrued commission income on statutory deposit		(347)	(717)
Accrued and other liabilities		15,400	2,745
Reinsurers balances payable		(13,247)	100,640
Unearned premiums		(46,973)	222,300
Unearned reinsurance commission		(9,680)	15,999
Outstanding claims		5,801	(4,746)
Claims incurred but not reported		(9,207)	(318)
Premium deficiency reserve		(5,422)	2,547
Other technical reserves		3,035	1,284
Accrued commission income on statutory deposit payable to SAMA		347	717
		(48,730)	(222)
Employees' defined benefit obligations paid		(1,410)	(1,244)
Zakat and income tax paid	15	(14,904)	-
Net cash used in operating activities		(65,044)	(1,466)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	6	-	(149,900)
Proceeds from maturity of term deposit	4.2	22,656	61,831
Purchase of property and equipment		(4,946)	(315)
Net cash generated from / (used in) investing activities		17,710	(88,384)


Chief Financial Officer


Chief Executive Officer

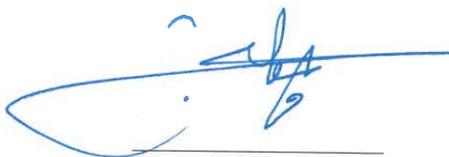

Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASHFLOWS (Unaudited) – (continued)
For the six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 SAR'000	2020 SAR'000
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of lease liabilities	8.2	(1,433)	(1,470)
Net cash used in financing activity		(1,433)	(1,470)
Net changes in cash and cash equivalents			
Cash and cash equivalents, at the beginning of the period		61,735	257,653
Cash and cash equivalents, at the end of the period		12,968	166,333
NON-CASH INFORMATION			
Net change in fair value of available-for-sale investments		(7,505)	8,022


Chief Financial Officer


Chief Executive Officer


Director

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021

1. GENERAL

United Cooperative Assurance Company (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor), Prince Saud Al Faisal Street, Al Khalidiyah District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license number (NMT/19/200812) from the Saudi Central Bank (“SAMA”) which is currently valid up to 30 Dhul Hijja 1442H corresponding to 9 August 2021 to engage in insurance and reinsurance business in Saudi Arabia. The Company started its operations on 1 January 2009.

On 11 February 2020 corresponding to 17 Jamad-ul-Thani 1441H, the Company has received SAMA approval upon the Company’s request for the cancellation of its Reinsurance License. From the date of SAMA Approval, the Company has not assumed any reinsurance business.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders’ operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders’ operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders’ surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting’ (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants (formerly known as Saudi Organization for Certified Public Accountants).

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

2. BASIS OF PREPARATION – (continued)

(b) Basis of presentation and measurement

These condensed interim financial statements have been prepared under going concern basis and historical cost convention except for the measurement at fair value of investments held as available-for-sale (AFS) investment and employees' defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term deposits, premiums and reinsurers' receivable - net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepaid expenses and other assets, policyholders payable, reinsurers balances payable, accrued and other liabilities, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves and Zakat and income tax payable. All other financial statement line items would generally be classified as non-current unless stated otherwise.

The Company presents its statement of financial position broadly in order of liquidity. As required by Saudi Arabian Insurance Regulations "SAMA Implementing Regulations" the Company maintains separate books of accounts for "Insurance operations" and "Shareholders' operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company.

The condensed interim statement of financial position, condensed interim statements of income and statement of comprehensive income and condensed interim statement of cash flows of the insurance operations and shareholders' operations which are presented in note 19 have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA Implementing Regulations and is not required by IFRS as endorsed in KSA. SAMA Implementing Regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations.

In preparing the Company-level condensed interim financial statements in compliance with IAS 34, as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

As of 30 June 2021, the Company's accumulated losses reached 36% of its share capital. During the six-month period ended 30 June 2021, the Company incurred a total comprehensive loss amounting to SAR 40.5 million and has negative operating cash flows. These conditions require the Company to take certain actions to avoid uncertainties pertaining to its ability to continue as a going concern.

The loss for the six-month period ended 30 June 2021 is mainly attributable to the adverse results in the motor line of business, which although have recovered, when compared with the comparative period as well as the previous quarters. Management has already formulated and implemented various performance improvement measures which, among others, include better pricing strategies, diversification of insurance portfolio, introduction of new benefits and replacement of motor third-party administrator. Results from such measures are expected to reflect positively in the remaining quarters of 2021 and such positive trend as a result of performance improvement measures is expected to continue, provided that the underlying projections of the business and economic conditions continue to be realized. The management will continue to monitor performance indicators and prevailing market conditions and make the necessary corrective actions and amend its business plan, if necessary.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

2. BASIS OF PREPARATION – (continued)

(b) Basis of presentation and measurement – (continued)

Accordingly, management believes that the Company's operations shall continue for a foreseeable future under the normal course of business and the going concern basis used in the preparation of this condensed interim financial information remains appropriate.

On 8 November 2020 corresponding to 22 Rabi Al Awwal 1442H, the Company announced on Tadawul that as on 30 September 2020, the Company's accumulated losses reached 22% of its share capital. As of 30 June 2021, the Company's accumulated losses reached 36% of its share capital (2020: 27%). During the six-month period 30 June 2021, the Company incurred net loss attributable to shareholders amounting to SAR 37.5 million (30 June 2020: SAR 8.5 million) and has a negative operating cash flow. These conditions raised uncertainty on the Company's ability to continue as a going concern. However, management of the Company has prepared a business plan and is confident of having positive outcome of the strategy and believes that the Company's operations shall continue for foreseeable future under the normal course of business and is satisfied that the going concern basis of preparation of these condensed interim financial statements is appropriate. Accordingly, these condensed interim financial statements have been prepared on the going concern basis.

(c) Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Arabian Riyals ("SAR"), which is also the functional currency of the Company. All financial information presented in SAR have been rounded off to the nearest thousands, except where otherwise indicated.

(d) Fiscal year

The Company follows a fiscal year ending 31 December.

(e) Critical accounting judgments estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, please see note 20 to these condensed interim financial statements. Management will continue to assess the situation and reflect any required changes in future reporting periods.

(f) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these condensed interim financial statements are in accordance with International Financial Reporting Standards (IFRS), as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2020 and new amended IFRS and IFRS Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no significant impact on the financial position or financial performance of the Company.

The accounting policies used in the preparation of the financial statements are consistently applied to all the years presented unless stated otherwise.

(a) New IFRS, International Financial Reporting and Interpretations Committee’s interpretations (IFRIC) and amendments thereof, adopted by the Company.

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company’s condensed interim financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>
IFRS 17	Insurance Contracts
IFRS 9	Financial Instruments
IAS 1	Classification of Liabilities as Current or Non-current
IAS 1 & IFRS Practice Statement 2	Disclosure of Accounting Policies
IAS 8	Definition of Accounting Estimates
IAS 37	Onerous contracts: Cost of Fulfilling a contract
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
IFRS 3	Reference to Conceptual Framework
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020

IFRS 9 - Financial Instruments

This standard was published on 24 July 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments – (continued)

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- the contractual terms of cash flows are SPPI.

Debt financial assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset, both debt and equity instrument at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in statement of income.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of income.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 1 January 2021. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from 1 January 2021 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s annual financial statements for the year ended 31 December 2020.

Impact assessment

As at 30 June 2021, the Company has total financial assets and insurance related assets amounting to SAR 806.93 million (31 December 2020: SAR 883.82 million) and SAR 604.39 million (31 December 2020: SAR 640.81 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 44.07 million (31 December 2020: SAR 106.89 million). Other financial assets consist of available for sale investments amounting to SAR 280.86 million (31 December 2020: SAR 281.79 million).

As at 30 June 2021 these debt securities are measured at fair value of SAR 253.2 million (31 December 2020: SAR 261 million) with changes in fair value during the year of SAR 7.51 million (31 December 2020: SAR 4.49 million). Other financial assets have a fair value of SAR 27.05 million (31 December 2020: SAR 27.35 million) as at 30 June 2021 with a fair value change during the period of SAR 1.51 million (31 December 2020: SAR 0.62 million).

The Company’s financial assets have low credit risk as at 30 June 2021 and 31 December 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

IFRS 17 – Insurance Contracts

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

- i) changes in the entity’s share of the fair value of underlying items,
- ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

Transition

A retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company has completed the design of IFRS 17 requirements. As of the date of the publication of these condensed interim financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis, and the key areas of Gaps are as follows:

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

IFRS 17 – Insurance Contracts (continued)

Impact Area	Summary of Impact
Financial Impact	Company is still assessing full financial impact
Data Impact / IT Systems	<ul style="list-style-type: none"> ▪ Conceptual design of New chart of accounts has been developed for PAA/ GMM / VFA ▪ Actuarial and accounting data requirements have been developed at more granular level ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM / VFA ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Conceptual design for identification of key inputs for onerous contracts test as well as defining ‘facts and circumstance’ for PAA contracts has been developed ▪ Conceptual design for calculation and tracking of contractual service margin
Process Impact	<ul style="list-style-type: none"> ▪ Conceptual design for Finance, actuarial, underwriting and IT processes has been built suitable for IFRS 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources ▪ Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area ▪ Monitor terms and conditions attaching to insurance contracts ▪ Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level. ▪ System to track coverage period for future products need to be put in place
Impact on Policies & Control Frameworks	<ul style="list-style-type: none"> ▪ New Steering committee for IFRS 17 has been established ▪ Project plan for design and implementation has been set up at activities level

The Company has started with their implementation process and have set up an implementation committee. The Company submitted IFRS 17 Phase 3 Implementation plan report to SAMA in May 2021 to comply with the regulatory requirement for the design phase. SAMA has issued instructions to the Company for Phase 4 in July 2021 where the results of first dry run needs to be submitted by 30 November 2021.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim statement of cash flows comprise the following:

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
<i>Insurance operations</i>		
Bank balances	11,949	51,356
<i>Shareholders' operations</i>		
Bank balances	1,019	10,379
Total	12,968	61,735

4.2 SHORT-TERM DEPOSITS

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
<i>Insurance operations</i>		
Short term deposits	-	22,656

- a. Short term deposits represent deposits with local banks that have investment grade credit rating and have an original maturity of more than three months from the date of acquisition.
- b. These deposits earn commission at an average rate of Nil as at 30 June 2021 (31 December 2020: 2.35%).

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Policyholders	182,494	162,637
Brokers and agents	3,367	3,510
Related parties (note 14)	141,612	156,398
Receivables from reinsurers	11,236	6,804
	338,709	329,349
Provision for doubtful receivables	(82,185)	(89,743)
Premiums and reinsurers' receivable – net	256,524	239,606

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET - (continued)

Movement in the provision for doubtful receivables during the period / year was as follows:

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Balance at the beginning of the period / year	89,743	83,920
Provision (reversal) / charge during the period / year	(7,558)	5,823
Balance at the end of the period / year	82,185	89,743

6. INVESTMENTS

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Available-for-sale investments		
Insurance operations (note 6.1)	110,603	115,088
Shareholders' operations (note 6.2)	170,258	173,278
	280,861	288,366

6.1 Insurance operations

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Movement during the period / year is as follows:		
Opening balance	115,088	227
Purchases during the period / year	-	111,142
Changes in fair value of investments	(4,485)	3,719
Closing balance	110,603	115,088
Investment in sukuk	110,374	114,859
Investment in mutual funds	229	229
	110,603	115,088

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

6. INVESTMENTS - (continued)

6.2 Shareholders' operations

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Movement during the period / year is as follows:		
Opening balance	173,278	190,721
Purchases during the period / year	-	38,759
Disposals during the period / year	-	(61,831)
Realized gain on investments	-	4,246
Changes in fair value of investments	(3,020)	1,383
Closing balance	170,258	173,278
Investment in equity shares (Note 6.3)	6,593	6,580
Investment in sukuk	143,223	146,149
Investment in mutual funds	20,442	20,549
	170,258	173,278

6.3 This includes 3.85% (31 December 2020: 3.85%) shareholding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company which is carried at cost. In the absence of reliable financial information, management believes that fair values cannot be ascertained reliably. Therefore, this investment has been carried at cost.

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Outstanding claims	68,722	62,921
Claims incurred but not reported	160,542	169,749
	229,264	232,670
Premium deficiency reserve	20,326	25,748
Other technical reserves	16,413	13,378
	266,003	271,796
Less:		
- Reinsurers' share of outstanding claims	(39,070)	(41,720)
- Reinsurers' share of claims incurred but not reported	(121,150)	(126,264)
	(160,220)	(167,984)
Net outstanding claims and reserves	105,783	103,812

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

7. TECHNICAL RESERVES - (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six-month period ended 30 June 2021		
	(Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	302,452	(209,598)	92,854
Premium written / (ceded) during the period	207,262	(124,241)	83,021
Premium earned during the period	(254,235)	158,038	(96,197)
Balance as at the end of the period	<u>255,479</u>	<u>(175,801)</u>	<u>79,678</u>
	Year ended 31 December 2020		
	(Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	163,093	(137,914)	25,179
Premium written / (ceded) during the year	616,861	(416,754)	200,107
Premium earned during the year	(477,502)	345,070	(132,432)
Balance as at the end of the year	<u>302,452</u>	<u>(209,598)</u>	<u>92,854</u>

8. LEASES

8.1 RIGHT-OF-USE ASSETS – NET

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	SAR'000
Building		
Cost:		
At beginning of the period / year	9,608	-
Additions during the period / year	-	9,608
Deletion during the period / year	(86)	-
At end of the period / year	<u>9,522</u>	<u>9,608</u>
Accumulated depreciation:		
At beginning of the period / year	2,052	-
Additions during the period / year	1,591	2,052
Deletions during the period / year	(28)	-
At end of the period / year	<u>3,615</u>	<u>2,052</u>
Net book value	<u>5,907</u>	<u>7,556</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

8. LEASES - (continued)

8.2 LEASE LIABILITIES

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
At beginning of the period / year	6,397	-
Additions during the period / year	-	9,608
Deletions during the period / year	(58)	-
Finance cost	62	187
Payments during period / year	(1,433)	(3,398)
At end of the period / year	4,968	6,397

9. GOODWILL

Effective 31 December 2008, the Company acquired the insurance operations of UCA Insurance Bahrain BSC ('the seller') in the Kingdom of Saudi Arabia for a total consideration of SAR 656.9 million with a goodwill of SAR 78.4 million. The goodwill amount payable to the seller was paid in full subsequent to 2008, after obtaining SAMA approvals.

The Company tests whether goodwill has suffered any impairment on an annual basis. Determining whether goodwill is impaired requires an estimation of the recoverable amount based on a value in use calculation using discounted cash flows (DCF) projections from financial budgets prepared by the management for next five years. Cash flows beyond five years' period are extrapolated using the estimated long-term growth rate.

The assumptions used in arriving at the recoverable amount using the DCF involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The most recent assessment performed by the management on 31 December 2020 did not result in any impairment. Further, based on the results for the period ended 30 June 2021, management believes there is no revision required in the financial budget used for the goodwill impairment assessment performed on 31 December 2020. The significant assumptions used in determination of value in use calculations were weighted average cost of capital and long-term growth rate, estimated at 14% and 2%, respectively.

Based on the management assessment of value in use, the management believes that no reasonable possible change in any of the above assumptions would cause the carrying value to materially exceed its recoverable amount at the reporting date.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

10. STATUTORY DEPOSIT

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Statutory deposit	60,000	60,000

In compliance with Article 58 of the Implementing Regulations of the Saudi Central Bank ("SAMA"), the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SAR 60 million in a bank designated by the Saudi Central Bank ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA and commission accruing on this deposit is payable to SAMA.

In accordance with instructions received from SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission due on the statutory deposit as an asset and a liability in these condensed interim financial positions.

11. COMMITMENTS AND CONTINGENCIES

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Letters of guarantee issued in favour of ZATCA	22,096	22,096
Letters of guarantee issued in favour of non-government customers	1,400	1,400
Total	23,496	23,496

- a. The Company has capital commitments outstanding as at 30 June 2021 amounting to SAR 19.3 million (31 December 2020: SAR 19.67 million) in respect of software development project.
- b. As at 30 June 2021, the Company's bankers have given guarantees to non-government customers amounting to SAR 1.40 million (2020: SAR 1.4 million) in respect of motor insurance and to the ZATCA amounting to SAR 22.1 million (2020: SAR 22.1 million) in respect of a disputed assessment order (also see note 15) which is deposited with a bank and is included in prepaid expenses and other assets.
- c. Note 15 for the status of open zakat and income tax assessments.

12. FAIR VALUES 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. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of financial instruments are not significantly different from their carrying amounts included in the condensed interim financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows the fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation to fair value. The fair value is also the carrying value of these financial assets.

30 June 2021 (Unaudited)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Financial assets measured at fair value				
<i>Equity securities and mutual funds</i>				
- Insurance operations	229	-	-	229
- Shareholders' operations	25,112	-	-	25,112
<i>Debt securities</i>				
- Insurance operations	110,374	-	-	110,374
- Shareholders' operations	38,490	104,733	-	143,223
	<u>174,205</u>	<u>104,733</u>	<u>-</u>	<u>278,938</u>
				<u>1,923</u>
				<u>280,861</u>

31 December 2020 (Audited)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Financial assets measured at fair value				
<i>Equity securities and mutual funds</i>				
- Insurance operations	229	-	-	229
- Shareholders' operations	25,206	-	-	25,206
<i>Debt securities</i>				
- Insurance operations	114,859	-	-	114,859
- Shareholders' operations	40,055	106,094	-	146,149
	<u>180,349</u>	<u>106,094</u>	<u>-</u>	<u>286,443</u>
				<u>1,923</u>
				<u>288,366</u>

Available-for-sale investment amounting to SAR 1.9 million (2020: SAR 1.9 million) is carried at cost as its fair value cannot be measured reliably.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

Segment assets do not include cash and cash equivalents, short-term deposits, net premiums and reinsurers' receivable, prepaid expenses and other assets, investments, property and equipment, intangible assets, right-of-use assets and goodwill. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' payables, reinsurers' balances payable, lease liabilities, zakat and income tax payable, surplus from insurance operations accrued and other liabilities and employees' defined benefit obligations. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

Segment performance is evaluated on the basis of underwriting results from each segment and therefore, operating expenses are not allocated to each segment and are monitored at the Company level.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 June 2021 and 31 December 2020, its total revenues, expenses, and net income for the six-month periods ended 30 June 2021 and 30 June 2020, are as follows:

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	As at 30 June 2021 (Unaudited) SAR'000							
	Medical	Motor	Energy	Engineering	Others	Total insurance operations	Shareholders' operations	Total
Assets								
Reinsurers' share of unearned premiums	2,336	16,420	28,261	90,664	38,120	175,801	-	175,801
Reinsurers' share of outstanding claims	3,457	5,431	-	5,681	24,501	39,070	-	39,070
Reinsurers' share of claims incurred but not reported	475	15,179	21,332	39,435	44,729	121,150	-	121,150
Deferred policy acquisition costs	2,586	5,292	-	2,496	1,474	11,848	-	11,848
Unallocated assets						460,803	316,552	777,355
Total assets						<u>807,198</u>	<u>316,552</u>	<u>1,125,224</u>
Liabilities								
Unearned premiums	35,806	54,749	28,753	92,703	43,468	255,479	-	255,479
Unearned reinsurance commission	-	4,103	-	15,127	6,084	25,314	-	25,314
Outstanding claims	13,527	21,230	-	6,537	27,428	68,722	-	68,722
Claims incurred but not reported	3,744	43,279	21,705	41,174	50,640	160,542	-	160,542
Premium deficiency reserve	3,254	13,411	743	2,717	201	20,326	-	20,326
Other technical reserves	1,897	11,243	543	1,111	1,619	16,413	-	16,413
Unallocated liabilities and insurance operations reserve	-	-	-	-	-	265,755	18,150	283,905
Total liabilities and insurance operations reserve						<u>812,551</u>	<u>18,150</u>	<u>830,701</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	As at 31 December 2020 (Audited) SAR'000						Total insurance operations	Shareholders' operations	Total
	Medical	Motor	Energy	Engineering	Others				
Assets									
Reinsurers' share of unearned premiums	9,672	31,837	-	140,588	27,501	209,598	-	209,598	
Reinsurers' share of outstanding claims	5,653	3,844	-	5,549	26,674	41,720	-	41,720	
Reinsurers' share of claims incurred but not reported	1,650	18,679	21,396	39,762	44,777	126,264	-	126,264	
Deferred policy acquisition costs	1,576	5,640	-	3,731	1,698	12,645	-	12,645	
Unallocated assets						518,655	327,999	846,654	
Total assets						<u>908,882</u>	<u>327,999</u>	<u>1,236,881</u>	
Liabilities									
Unearned premiums	21,202	106,134	-	142,870	32,246	302,452	-	302,452	
Unearned reinsurance commission	-	7,512	-	23,408	4,074	34,994	-	34,994	
Outstanding claims	10,279	16,810	-	6,487	29,345	62,921	-	62,921	
Claims incurred but not reported	4,536	50,693	21,771	41,949	50,800	169,749	-	169,749	
Premium deficiency reserve	2,734	22,630	-	-	384	25,748	-	25,748	
Other technical reserves	1,825	8,242	544	1,130	1,637	13,378	-	13,378	
Unallocated liabilities and insurance operations reserve						264,841	27,735	292,576	
Total liabilities and insurance operations reserve						<u>874,083</u>	<u>27,735</u>	<u>901,818</u>	

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Three-month period ended 30 June 2021 (Unaudited)</i>					<i>Total SAR'000</i>
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Energy SAR'000</i>	<i>Engineering SAR'000</i>	<i>Others SAR'000</i>	
<u>REVENUES</u>						
Gross premiums written						
- Individual	-	1,924	-	-	-	1,924
- Micro enterprises	3,107	945	-	707	1,077	5,836
- Small enterprises	6,932	2,131	-	258	2,726	12,047
- Medium enterprises	2,302	11,007	-	1,711	19,961	34,981
- Large enterprises	3,268	17	24,154	1,620	7,275	36,334
	15,609	16,024	24,154	4,296	31,039	91,122
Reinsurance premiums ceded						
- Local	(24)	(1,623)	-	(457)	(788)	(2,892)
- Foreign	(127)	(3,109)	(23,738)	(2,818)	(28,381)	(58,173)
	(151)	(4,732)	(23,738)	(3,275)	(29,169)	(61,065)
Excess of loss expenses						
- Local	(334)	(107)	-	-	(105)	(546)
- Foreign	(621)	(608)	-	-	(749)	(1,978)
	(955)	(715)	-	-	(854)	(2,524)
<i>Net premiums written</i>	14,503	10,577	416	1,021	1,016	27,533
Changes in unearned premiums, net	(2,182)	19,104	(172)	(27)	928	17,651
<i>Net premiums earned</i>	12,321	29,681	244	994	1,944	45,184
Reinsurance commissions earned	-	3,318	380	4,842	3,345	11,885
TOTAL REVENUES	12,321	32,999	624	5,836	5,289	57,069
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	13,886	57,064	-	986	665	72,601
Reinsurers' share of claims paid	(4,473)	(16,748)	-	(601)	(554)	(22,376)
<i>Net claims paid</i>	9,413	40,316	-	385	111	50,225
Changes in outstanding claims, net	1,239	2,924	-	6	711	4,880
Changes in claims incurred but not reported, net	(186)	(3,057)	(1)	(216)	(90)	(3,550)
<i>Net claims incurred</i>	10,466	40,183	(1)	175	732	51,555
Premium deficiency reserve	259	(8,425)	398	2,717	(124)	(5,175)
Other technical reserves	(19)	498	(1)	(26)	(3)	449
Policy acquisition costs	1,226	3,242	-	799	723	5,990
Other underwriting expenses	267	242	121	135	101	866
TOTAL UNDERWRITING COSTS AND EXPENSES	12,199	35,740	517	3,800	1,429	53,685
NET UNDERWRITING RESULT	122	(2,741)	107	2,036	3,860	3,384

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Three-month period ended 30 June 2021 (Unaudited)</i>					<i>Total</i> <i>SAR'000</i>
	<i>Medical</i> <i>SAR'000</i>	<i>Motor</i> <i>SAR'000</i>	<i>Energy</i> <i>SAR'000</i>	<i>Engineering</i> <i>SAR'000</i>	<i>Others</i> <i>SAR'000</i>	
<u>OTHER OPERATING</u>						
<u>(EXPENSES) / INCOME</u>						
General and administrative expenses						(22,133)
Provision for doubtful receivables						10,346
Board remuneration						(536)
Commission income on investments						2,315
Realized gain on investments						-
Other Income						94
TOTAL OTHER OPERATING EXPENSES, NET						(9,914)
LOSS FOR THE PERIOD						(6,530)
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders before zakat and income tax						(6,530)
Zakat						(1,900)
Income tax						(100)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS						(8,530)

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Three-month period ended 30 June 2020 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<u>REVENUES</u>						
Gross premiums written						
- Individual	-	63,021	-	-	145	63,166
- Micro enterprises	1,612	547	-	610	2,751	5,520
- Small enterprises	7,610	5,906	-	1,234	3,578	18,328
- Medium enterprises	(16)	6,341	-	4,539	5,127	15,991
- Large enterprises	5	170	29,202	6,634	9,495	45,506
	9,211	75,985	29,202	13,017	21,096	148,511
Reinsurance premiums ceded						
- Local	(786)	(3,799)	-	(1,394)	(759)	(6,738)
- Foreign	(3,534)	(18,724)	(28,699)	(9,711)	(17,411)	(78,079)
	(4,320)	(22,523)	(28,699)	(11,105)	(18,170)	(84,817)
Excess of loss expenses						
- Local	-	(79)	-	-	(92)	(171)
- Foreign	-	(446)	-	-	(522)	(968)
	-	(525)	-	-	(614)	(1,139)
<i>Net premiums written</i>	4,891	52,937	503	1,912	2,312	62,555
Changes in unearned premiums, net	(1,060)	(32,290)	(193)	(696)	616	(33,623)
<i>Net premiums earned</i>	3,831	20,647	310	1,216	2,928	28,932
Reinsurance commissions earned	-	3,120	385	3,389	2,951	9,845
TOTAL REVENUES	3,831	23,767	695	4,605	5,879	38,777
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	4,406	10,359	-	-	1,974	16,739
Reinsurers' share of claims paid	(2,266)	(3,634)	-	-	(1,266)	(7,166)
<i>Net claims paid</i>	2,140	6,725	-	-	708	9,573
Changes in outstanding claims, net	(249)	1,555	-	567	(79)	1,794
Changes in claims incurred but not reported, net	(2,189)	(2,103)	3	(179)	59	(4,409)
<i>Net claims incurred</i>	(298)	6,177	3	388	688	6,958
Premium deficiency reserve	(1,018)	(1,731)	420	-	2,218	(111)
Other technical reserves	(44)	2,218	-	39	(65)	2,148
Policy acquisition costs	291	1,767	-	535	868	3,461
Other underwriting expenses	148	138	146	100	115	647
TOTAL UNDERWRITING COSTS AND EXPENSES	(921)	8,569	569	1,062	3,824	13,103
NET UNDERWRITING RESULT	4,752	15,198	126	3,543	2,055	25,674

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Three-month period ended 30 June 2020 (Unaudited)</i>					<i>Total SAR'000</i>
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Energy SAR'000</i>	<i>Engineering SAR'000</i>	<i>Others SAR'000</i>	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(21,101)
Provision for doubtful receivables						(13,800)
Board remuneration						(205)
Commission income on investments						3,261
Realized gain on investments						4,246
Other income						510
TOTAL OTHER OPERATING EXPENSES, NET						<u>(27,089)</u>
LOSS FOR THE PERIOD						(1,415)
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders before zakat and income tax						<u>(1,415)</u>
Zakat						(1,900)
Income tax						(100)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS						<u><u>(3,415)</u></u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Six-month period ended 30 June 2021 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<u>REVENUES</u>						
Gross premiums written						
- Individual	-	3,191	-	-	-	3,191
- Micro enterprises	9,667	6,078	-	707	4,223	20,675
- Small enterprises	20,713	12,173	829	357	8,452	42,524
- Medium enterprises	11,755	26,383	-	5,546	26,162	69,846
- Large enterprises	3,952	301	48,785	3,786	14,202	71,026
	<u>46,087</u>	<u>48,126</u>	<u>49,614</u>	<u>10,396</u>	<u>53,039</u>	<u>207,262</u>
Reinsurance premiums ceded						
- Local	(78)	(4,914)	-	(1,025)	(2,813)	(8,830)
- Foreign	(388)	(9,294)	(48,766)	(7,470)	(45,400)	(111,318)
	<u>(466)</u>	<u>(14,208)</u>	<u>(48,766)</u>	<u>(8,495)</u>	<u>(48,213)</u>	<u>(120,148)</u>
Excess of loss expenses						
- Local	(334)	(214)	-	-	(210)	(758)
- Foreign	(621)	(1,216)	-	-	(1,498)	(3,335)
	<u>(955)</u>	<u>(1,430)</u>	<u>-</u>	<u>-</u>	<u>(1,708)</u>	<u>(4,093)</u>
<i>Net premiums written</i>	44,666	32,488	848	1,901	3,118	83,021
Changes in unearned premiums – net	(21,941)	35,969	(491)	243	(604)	13,176
<i>Net premiums earned</i>	22,725	68,457	357	2,144	2,514	96,197
Reinsurance commissions earned	-	6,680	805	10,326	6,076	23,887
TOTAL REVENUES	<u>22,725</u>	<u>75,137</u>	<u>1,162</u>	<u>12,470</u>	<u>8,590</u>	<u>120,084</u>
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	25,333	123,519	-	1,507	5,436	155,795
Reinsurers' share of claims paid	(10,433)	(36,167)	-	(907)	(4,283)	(51,790)
<i>Net claims paid</i>	14,900	87,352	-	600	1,153	104,005
Changes in outstanding claims, net	5,444	2,960	-	(82)	129	8,451
Changes in claims incurred but not reported – net	384	(3,915)	(1)	(448)	(113)	(4,093)
<i>Net claims incurred</i>	20,728	86,397	(1)	70	1,169	108,363
Premium deficiency reserve	519	(9,219)	742	2,717	(181)	(5,422)
Other technical reserves	73	3,001	(1)	(19)	(19)	3,035
Policy acquisition costs	2,352	6,441	-	1,671	1,662	12,126
Other underwriting expenses	497	490	248	288	193	1,716
TOTAL UNDERWRITING COSTS AND EXPENSES	<u>24,169</u>	<u>87,110</u>	<u>988</u>	<u>4,727</u>	<u>2,824</u>	<u>119,818</u>
NET UNDERWRITING RESULT	<u>(1,444)</u>	<u>(11,973)</u>	<u>174</u>	<u>7,743</u>	<u>5,766</u>	<u>266</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Six-month period ended 30 June 2021 (Unaudited)</i>					<i>Total SAR'000</i>
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Energy SAR'000</i>	<i>Engineering SAR'000</i>	<i>Others SAR'000</i>	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(45,547)
Provision for doubtful receivables						7,558
Board remuneration						(929)
Investments income						4,620
Other income						512
TOTAL OTHER OPERATING EXPENSES – NET						(33,786)
LOSS FOR THE PERIOD						(33,520)
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders before zakat and income tax						(33,520)
Zakat						(3,800)
Income tax						(200)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS						(37,520)

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

***13.1 Additional information**

	<i>Six-month period ended 30 June 2021 (Unaudited)</i>			
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Property and casualty SAR'000</i>	<i>Total SAR'000</i>
<u>REVENUES</u>				
Gross premiums written				
- Individual	-	3,191	-	3,191
- Micro enterprises	9,667	6,078	4,930	20,675
- Small enterprises	20,713	12,173	9,638	42,524
- Medium enterprises	11,755	26,383	31,708	69,846
- Large enterprises	3,952	301	66,713	71,026
	<u>46,087</u>	<u>48,126</u>	<u>113,049</u>	<u>207,262</u>

	<i>Three-month period ended 30 June 2021 (Unaudited)</i>			
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Property and casualty SAR'000</i>	<i>Total SAR'000</i>
<u>REVENUES</u>				
Gross premiums written				
- Individual	-	1,924	-	1,924
- Micro enterprises	3,107	945	1,784	5,836
- Small enterprises	6,932	2,131	2,984	12,047
- Medium enterprises	2,302	11,007	21,672	34,981
- Large enterprises	3,268	17	33,049	36,334
	<u>15,609</u>	<u>16,024</u>	<u>59,489</u>	<u>91,122</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Six-month period ended 30 June 2020 (Unaudited)</i>					<i>Total</i> SAR'000
	<i>Medical</i> SAR'000	<i>Motor</i> SAR'000	<i>Energy</i> SAR'000	<i>Engineering</i> SAR'000	<i>Others</i> SAR'000	
REVENUES						
Gross premiums written						
- Individual	-	83,283	-	-	165	83,448
- Micro enterprises	3,588	5,602	-	803	6,581	16,574
- Small enterprises	9,676	18,074	-	4,222	8,862	40,834
- Medium enterprises	3,940	29,418	-	87,107	36,066	156,531
- Large enterprises	168	4,402	63,135	6,469	17,596	91,770
	17,372	140,779	63,135	98,601	69,270	389,157
Reinsurance premiums ceded						
- Local	(1,457)	(7,039)	-	(4,564)	(3,626)	(16,686)
- Foreign	(6,609)	(35,017)	(62,048)	(90,652)	(57,915)	(252,241)
	(8,066)	(42,056)	(62,048)	(95,216)	(61,541)	(268,927)
Excess of loss expenses						
- Local	-	(158)	-	-	(184)	(342)
- Foreign	-	(892)	-	-	(1,044)	(1,936)
	-	(1,050)	-	-	(1,228)	(2,278)
<i>Net premiums written</i>	9,306	97,673	1,087	3,385	6,501	117,952
Changes in unearned premiums, net	(2,003)	(69,337)	(627)	(1,138)	(1,444)	(74,549)
<i>Net premiums earned</i>	7,303	28,336	460	2,247	5,057	43,403
Reinsurance commissions earned	-	4,046	858	5,693	6,407	17,004
TOTAL REVENUES	7,303	32,382	1,318	7,940	11,464	60,407
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	10,286	22,789	-	207	3,463	36,745
Reinsurers' share of claims paid	(5,340)	(8,009)	-	(181)	(2,158)	(15,688)
<i>Net claims paid</i>	4,946	14,780	-	26	1,305	21,057
Changes in outstanding claims, net	(322)	(271)	-	774	(470)	(289)
Changes in claims incurred but not reported, net	(4,942)	(2,481)	4	(113)	436	(7,096)
<i>Net claims incurred</i>	(318)	12,028	4	687	1,271	13,672
Premium deficiency reserve	(5,252)	5,495	420	-	1,884	2,547
Other technical reserves	(2,486)	3,708	-	66	(3)	1,285
Policy acquisition costs	596	2,733	-	933	1,609	5,871
Other underwriting expenses	289	202	316	176	220	1,203
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,171)	24,166	740	1,862	4,981	24,578
NET UNDERWRITING RESULT	14,474	8,216	578	6,078	6,483	35,829

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Six-month period ended 30 June 2020 (Unaudited)</i>					<i>Total SAR'000</i>
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Energy SAR'000</i>	<i>Engineering SAR'000</i>	<i>Others SAR'000</i>	
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expenses						(40,953)
Provision for doubtful receivables						(9,487)
Board remuneration						(475)
Commission income on investments						5,184
Realized gain on investments						4,246
Other income						1,151
TOTAL OTHER OPERATING EXPENSES, NET						<u>(40,334)</u>
LOSS FOR THE PERIOD						<u>(4,505)</u>
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders' before zakat and income tax						<u>(4,505)</u>
Zakat						(3,800)
Income tax						(200)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS						<u><u>(8,505)</u></u>

*13.1 Additional information

	<i>Six-month period ended 30 June 2020 (Unaudited)</i>				
	<i>Medical SAR'000</i>	<i>Motor SAR'000</i>	<i>Property and casualty SAR'000</i>	<i>Protection and savings SAR'000</i>	<i>Total SAR'000</i>
REVENUES					
Gross premiums written					
- Individual	-	83,283	165	-	83,448
- Micro enterprises	3,588	5,602	7,384	-	16,574
- Small enterprises	9,676	18,074	13,084	-	40,834
- Medium enterprises	3,940	29,418	123,173	-	156,531
- Large enterprises	168	4,402	87,200	-	91,770
	<u>17,372</u>	<u>140,779</u>	<u>231,006</u>	<u>-</u>	<u>389,157</u>

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

13. OPERATING SEGMENTS – (continued)

	<i>Three-month period ended 30 June 2020 (Unaudited)</i>				
	<i>Medical</i>	<i>Motor</i>	<i>Property and</i>	<i>Protection and</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>casualty</i>	<i>savings</i>	<i>SAR'000</i>
			<i>SAR'000</i>	<i>SAR'000</i>	
REVENUES					
Gross premiums written					
- Individual	-	63,021	145	-	63,166
- Micro enterprises	1,612	547	3,361	-	5,520
- Small enterprises	7,594	5,906	4,812	-	18,312
- Medium enterprises	-	6,341	9,666	-	16,007
- Large enterprises	5	170	45,331	-	45,506
	<u>9,211</u>	<u>75,985</u>	<u>63,315</u>	<u>-</u>	<u>148,511</u>

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

14.1 TRANSACTIONS WITH RELATED PARTIES

The following are the details of the significant related parties' transactions during the period:

	Nature of transactions	Three-month period ended		Six-month period	
		30 June		ended 30 June	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Major shareholders					
Haji Hussien Ali Reza	Premium written	1,642	1,903	3,847	4,655
	Payments received and claims paid	(2,299)	(3)	(5,361)	(3,265)
Saudi Bin Laden – Group	Premium written	17,027	2,942	20,365	106,865
	Payments received and claims paid	(8,430)	(5,272)	(17,117)	(23,672)
Construction Product Company	Premium written	1,392	1,475	6,872	7,031
	Payments received and claims paid	(22,054)	(1,580)	(23,234)	(2,186)

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)**14.1 TRANSACTIONS WITH RELATED PARTIES – (continued)**

	Nature of transactions	Three-month period ended		Six-month period	
		30 June		ended 30 June	
		2021	2020	2021	2020
		SAR'000	SAR'000	SAR'000	SAR'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
	Payment made on behalf of				
United Commercial Agencies	company	-	150	697	150
Law Office of Hassan Mahassni	Premium written	-	455	-	1,109
	Payments received and				
	claims paid	-	(642)	(142)	(784)
Middle East Group	Premium written	-	22	22	22
	Payments received and				
	claims paid	(3)	(12)	(16)	(12)

14.2 RELATED PARTIES BALANCES

	Balance receivable / (payable) as at	
	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Premium receivable		
Haji Hussien Ali Reza	6,673	8,187
Saudi Bin Laden – Group	130,623	127,375
Construction Product Company	4,261	20,623
Law Office of Hassan Mahassni	55	197
Middle East Group	-	16
	141,612	156,398
Other balances		
United Commercial Agencies	697	697

Other balances are included in prepayments and other assets, policyholders payables and accrued expenses and other liabilities.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)**14.2 RELATED PARTIES BALANCES – (continued)**

The following table shows the annual salaries, remuneration and allowances obtained by the key management personnel for the period ended 30 June 2021 and 30 June 2020:

	Six-month period ended	
	30 June	
	<i>2021</i>	<i>2020</i>
	<i>SAR'000</i>	<i>SAR'000</i>
	(Unaudited)	(Unaudited)
Salaries and other allowances	2,906	2,600
End of service indemnities	194	106
	3,100	2,706
Remuneration to those charged with governance	929	475

15. ZAKAT AND INCOME TAX**a. Provision for zakat and income tax**

The zakat and income tax payable by the Company has been calculated in accordance with zakat and income tax regulations in the Kingdom of Saudi Arabia.

The movement in the zakat and income tax payable is as follows:

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Balance at the beginning of the period / year	20,850	28,136
Charge for the current period / year	3,800	7,900
Charge for the prior years	-	20,000
Paid during the period / year	(14,904)	(35,186)
Balance at the end of the period / year	9,746	20,850

The movement in the income tax payable is as follows:

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Balance at the beginning of the period / year	900	800
Charge for the period / year	200	100
Balance at the end of the period / year	1,100	900
Total	10,846	21,750

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

15. ZAKAT AND INCOME TAX – (continued)

a. Provision for zakat and income tax – (continued)

The differences between the financial and the zakatable/taxable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the Zakat, tax and customs authority (ZATCA) could be different from the declarations filed by the Company.

b. Status of zakat assessments

The Zakat is applicable on 99% of the shareholders while income tax on 1% of the shareholders.

The Company has filed its zakat and income tax declarations for the years ended 31 December 2009 to 2019 and obtained restricted zakat and tax certificates.

Years 2009 – 2011

The Company has filed its Zakat/tax declarations for the years ended 31 December 2009 to 2011 and obtained the necessary Zakat/tax certificates. ZATCA issued the amended assessment based on the decision of the Preliminary Objection Committee and claimed additional Zakat and tax and withholding tax for a total of SAR 27,096,603. The Company settled the said differences. Also, the Company is intended to settle the delay fine related to withholding of SAR 2,384,673.

Years 2012 and 2013

The Company has filed its Zakat/tax declarations for the years ended 31 December 2012 and 2013 and obtained the necessary Zakat/tax certificates. ZATCA issued an assessment for the years 2012 and 2013 claiming additional Zakat Tax and withholding tax liability of SAR 15,840,058. The Company will proceed for final settlement with the Dispute Resolution Committee and expect to settle about SAR 7,046,592.

Years 2014 to 2018

The Company has filed its Zakat/tax declarations for the years ended 31 December 2014 to 2018 and obtained the necessary Zakat/tax certificates. ZATCA issued an assessment for the years 2014, 2015 and 2018 claiming additional Zakat and withholding tax liability in addition to the delay fine. The Company had finalized its Zakat, tax and withholding tax for the said years.

Year 2016 and 2017

ZTCA issued an assessment claiming additional Zakat, tax and delay fine for the years 2016 and 2017. The Company had finalized its Zakat, tax and withholding tax for the said years.

Year 2019 - 2020

The Company filed the Zakat return for the years 2019 – 2020 . The ZATCA has not yet finalized the study of the return for the said year

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

16. SHARE CAPITAL

As at 30 June 2021 and 31 December 2020, the authorised, subscribed and paid up share capital of the Company is SAR 400,000,000, divided into 40,000,000 shares of SAR 10 each.

17. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings or accumulated losses.

18. BASIC AND DILUTED LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net loss for the period by the weighted average number of issued and outstanding shares for the period.

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations of SAMA, the condensed interim statement of financial position, condensed interim statement of income, condensed interim statement of comprehensive income and condensed interim statement of cash flows separately for insurance operations and shareholders' operations are as follows:

a) Condensed interim statement of financial position

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
ASSETS						
Cash and cash equivalents	11,949	1,019	12,968	51,356	10,379	61,735
Short term deposits	-	-	-	22,656	-	22,656
Premiums and reinsurers' receivable – net	256,524	-	256,524	239,606	-	239,606
Reinsurers' share of unearned premiums	175,801	-	175,801	209,598	-	209,598
Reinsurers' share of outstanding claims	39,070	-	39,070	41,720	-	41,720
Reinsurers' share of claims incurred but not reported	121,150	-	121,150	126,264	-	126,264
Deferred policy acquisition costs	11,848	-	11,848	12,645	-	12,645
Investments	110,603	170,258	280,861	115,088	173,278	288,366
Due to/from insurance operations	6,003	-	6,003	-	32,675	32,675
Prepaid expenses and other assets	57,826	1,624	59,450	67,449	1,038	68,487
Property and equipment – net	11,024	-	11,024	10,346	-	10,346
Intangible assets	6,970	-	6,970	4,598	-	4,598
Right-of-use asset – net	5,907	-	5,907	7,556	-	7,556
Goodwill	-	78,400	78,400	-	78,400	78,400
Statutory deposit	-	60,000	60,000	-	60,000	60,000
Accrued commission income on statutory deposit	-	5,251	5,251	-	4,904	4,904
	814,675	316,552	1,131,227	908,882	360,674	1,269,556
Less: Inter-operations eliminations	(6,003)	-	(6,003)	-	(32,675)	(32,675)
TOTAL ASSETS	808,672	316,552	1,125,224	908,882	327,999	1,236,881

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

a) Condensed interim statement of financial position – (continued)

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<u>LIABILITIES</u>						
Policyholders payable	11,316	-	11,316	5,396	-	5,396
Accrued and other liabilities	59,961	2,053	62,014	45,533	1,081	46,614
Reinsurers balances payable	143,193	-	143,193	156,440	-	156,440
Unearned premiums	255,479	-	255,479	302,452	-	302,452
Unearned reinsurance commission	25,314	-	25,314	34,994	-	34,994
Outstanding claims	68,722	-	68,722	62,921	-	62,921
Claims incurred but not reported	160,542	-	160,542	169,749	-	169,749
Premium deficiency reserve	20,326	-	20,326	25,748	-	25,748
Other technical reserves	16,413	-	16,413	13,378	-	13,378
Due to/from shareholders' operations	-	6,003	6,003	32,675	-	32,675
Employees' defined benefit obligations	10,015	-	10,015	10,288	-	10,288
Lease liabilities	4,968	-	4,968	6,397	-	6,397
Insurance operations' surplus	37,053	-	37,053	37,053	-	37,053
Zakat and income tax payable	-	10,846	10,846	-	21,750	21,750
Accrued commission income on statutory deposit payable to SAMA	-	5,251	5,251	-	4,904	4,904
	813,302	24,153	837,455	903,024	27,735	930,759
<u>Less: Inter-operations eliminations</u>	-	(6,003)	(6,003)	(32,675)	-	(32,675)
	813,302	18,150	831,452	870,349	27,735	898,084
Fair value reserve on investments - insurance operations	(751)	-	(751)	3,734	-	3,734
TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE	812,551	18,150	830,701	874,083	27,735	901,818
<u>EQUITY</u>						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	31,944	31,944	-	31,944	31,944
Accumulated losses	-	(145,545)	(145,545)	-	(108,025)	(108,025)
Fair value reserve on investments	-	6,000	6,000	-	9,020	9,020
Re-measurement reserve of employees' defined benefit obligations	2,124	-	2,124	2,124	-	2,124
TOTAL EQUITY	2,124	292,399	294,523	2,124	332,939	335,063
TOTAL LIABILITIES, INSURANCE OPERATIONS RESERVE AND EQUITY	814,675	310,549	1,125,224	876,207	360,674	1,236,881

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

b) Condensed interim statement of income

	<i>Three-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written	91,122	-	91,122	148,511	-	148,511
Reinsurance premiums ceded						
- Local	(2,892)	-	(2,892)	(6,738)	-	(6,738)
- Foreign	(58,173)	-	(58,173)	(78,079)	-	(78,079)
	(61,065)	-	(61,065)	(84,817)	-	(84,817)
Excess of loss expenses						
- Local	(546)	-	(546)	(171)	-	(171)
- Foreign	(1,978)	-	(1,978)	(968)	-	(968)
	(2,524)	-	(2,524)	(1,139)	-	(1,139)
<i>Net premiums written</i>	27,533	-	27,533	62,555	-	62,555
Changes in unearned premiums, net	17,651	-	17,651	(33,623)	-	(33,623)
<i>Net premiums earned</i>	45,184	-	45,184	28,932	-	28,932
Reinsurance commissions earned	11,885	-	11,885	9,845	-	9,845
TOTAL REVENUES	57,069	-	57,069	38,777	-	38,777
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	72,601	-	72,601	16,739	-	16,739
Reinsurers' share of claims paid	(22,376)	-	(22,376)	(7,166)	-	(7,166)
<i>Net claims</i>	50,225	-	50,225	9,573	-	9,573
Changes in outstanding claims, net	4,880	-	4,880	1,794	-	1,794
Changes in claims incurred but not reported, net	(3,550)	-	(3,550)	(4,409)	-	(4,409)
<i>Net claims incurred</i>	51,555	-	51,555	6,958	-	6,958
Premium deficiency reserve	(5,175)	-	(5,175)	(111)	-	(111)
Other technical reserves	449	-	449	2,148	-	2,148
Policy acquisition costs	5,990	-	5,990	3,461	-	3,461
Other underwriting expenses	866	-	866	647	-	647
TOTAL UNDERWRITING COSTS AND EXPENSES	53,685	-	53,685	13,103	-	13,103
NET UNDERWRITING RESULT	3,384	-	3,384	25,674	-	25,674

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)
b) Condensed interim statement of income – (continued)

	<i>Three-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(20,788)	(1,345)	(22,133)	(20,395)	(706)	(21,101)
Provision for doubtful receivables	10,346	-	10,346	(13,800)	-	(13,800)
Board remuneration	-	(536)	(536)	-	(205)	(205)
Amortization of held to maturity investments	-	-	-	-	-	-
Commission income on investments	1,115	1,200	2,315	1,416	1,845	3,261
Realized gain on investments	-	-	-	-	4,246	4,246
Other income	-	94	94	510	-	510
TOTAL OTHER OPERATING (EXPENSES) / INCOME, NET	(9,327)	(587)	(9,914)	(32,269)	5,180	(27,089)
(LOSS) / INCOME FOR THE PERIOD	(5,943)	(587)	(6,530)	(6,595)	5,180	(1,415)
SHAREHOLDERS' ABSORPTION OF LOSS / (INCOME)	5,943	(5,943)	-	6,595	(6,595)	-
NET LOSS FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX	-	(6,530)	(6,530)	-	(1,415)	(1,415)
Zakat	-	(1,900)	(1,900)	-	(1,900)	(1,900)
Income tax	-	(100)	(100)	-	(100)	(100)
NET LOSS FOR THE PERIOD	-	(8,530)	(8,530)	-	(3,415)	(3,415)
<u>(Loss) / earnings per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)		40,000			40,000	
Basic and diluted loss per share for the period (SAR)		(0.21)			(0.09)	

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

c) Condensed interim statement of comprehensive income

	<i>Three-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
NET LOSS FOR THE PERIOD	-	(8,530)	(8,530)	-	(3,415)	(3,415)
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to condensed interim statement of income in subsequent periods</i>						
<i>Available-for-sale investments:</i>						
- Net change in fair value	1,000	(566)	434	(2,438)	(135)	(2,573)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	1,000	(9,096)	(8,096)	(2,438)	(3,550)	(5,988)

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

d) Condensed interim statement of income

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
REVENUES						
Gross premiums written	207,262	-	207,262	389,157	-	389,157
Reinsurance premiums ceded						
- Local	(8,830)	-	(8,830)	(16,686)	-	(16,686)
- Foreign	(111,318)	-	(111,318)	(252,241)	-	(252,241)
	(120,148)	-	(120,148)	(268,927)	-	(268,927)
Excess of loss expenses						
- Local	(758)	-	(758)	(342)	-	(342)
- Foreign	(3,335)	-	(3,335)	(1,936)	-	(1,936)
	(4,093)	-	(4,093)	(2,278)	-	(2,278)
<i>Net premiums written</i>	83,021	-	83,021	117,952	-	117,952
Changes in unearned premiums, net	13,176	-	13,176	(74,549)	-	(74,549)
<i>Net premiums earned</i>	96,197	-	96,197	43,403	-	43,403
Reinsurance commissions earned	23,887	-	23,887	17,004	-	17,004
TOTAL REVENUES	120,084	-	120,084	60,407	-	60,407
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	155,795	-	155,795	36,745	-	36,745
Reinsurers' share of claims paid	(51,790)	-	(51,790)	(15,688)	-	(15,688)
<i>Net claims</i>	104,005	-	104,005	21,057	-	21,057
Changes in outstanding claims, net	8,451	-	8,451	(289)	-	(289)
Changes in claims incurred but not reported, net	(4,093)	-	(4,093)	(7,096)	-	(7,096)
<i>Net claims incurred</i>	108,363	-	108,363	13,672	-	13,672
Premium deficiency reserve	(5,422)	-	(5,422)	2,547	-	2,547
Other technical reserves	3,035	-	3,035	1,285	-	1,285
Policy acquisition costs	12,126	-	12,126	5,871	-	5,871
Other underwriting expenses	1,716	-	1,716	1,203	-	1,203
TOTAL UNDERWRITING COSTS AND EXPENSES	119,818	-	119,818	24,578	-	24,578
NET UNDERWRITING RESULT	266	-	266	35,829	-	35,829

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)
d) Condensed interim statement of income- (Continued)

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(43,417)	(2,130)	(45,547)	(39,988)	(965)	(40,953)
Provision for doubtful receivables	7,558	-	7,558	(9,487)	-	(9,487)
Board remuneration	-	(929)	(929)	-	(475)	(475)
Commission income on investments	2,229	2,391	4,620	1,911	3,273	5,184
Realized gain on investments	-	-	-	-	4,246	4,246
Other income	418	94	512	1,151	-	1,151
TOTAL OTHER OPERATING (EXPENSES) / INCOME, NET	(33,212)	(574)	(33,786)	(46,413)	6,079	(40,334)
(LOSS) / INCOME FOR THE PERIOD	(32,946)	(574)	(33,520)	(10,584)	6,079	(4,505)
SHAREHOLDERS' ABSORPTION OF (INCOME) / LOSS	32,946	(32,946)	-	10,584	(10,584)	-
NET LOSS FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX	-	(33,520)	(33,520)	-	(4,505)	(4,505)
Zakat	-	(3,800)	(3,800)	-	(3,800)	(3,800)
Income tax	-	(200)	(200)	-	(200)	(200)
	-	(4,000)	(4,000)	-	(4,000)	(4,000)
NET LOSS FOR THE PERIOD	-	(37,520)	(37,520)	-	(8,505)	(8,505)
<u>Loss per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)		40,000			40,000	
Basic and diluted loss per share for the period (SAR / share)		(0.94)			(0.21)	

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

e) Condensed interim statement of comprehensive income

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
NET LOSS FOR THE PERIOD	-	(37,520)	(37,520)	-	(8,505)	(8,505)
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to condensed interim statement of income in subsequent periods</i>						
<i>Available-for-sale investments:</i>						
- Net change in fair value	(4,485)	(3,020)	(7,505)	5,717	2,305	8,022
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(4,485)	(40,540)	(45,025)	5,717	(6,200)	(483)

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)
f) Condensed interim statement of cash flows

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat and income tax	-	(33,520)	(33,520)	-	(4,505)	(4,505)
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	1,896	-	1,896	1,306	-	1,306
Depreciation of right-of-use assets	1,591	-	1,591	526	-	526
Finance cost on Lease Liabilities	62	-	62	48	-	48
Provision for doubtful receivables	(7,558)	-	(7,558)	9,487	-	9,487
Realized gain on investments	-	-	-	-	(4,246)	(4,246)
Amortization of held to maturity investments	-	-	-	-	-	-
Provision for employees' defined benefit obligations	1,137	-	1,137	516	-	516
	(2,872)	(33,520)	(36,392)	11,883	(8,751)	3,132
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	(9,360)	-	(9,360)	(168,957)	-	(168,957)
Reinsurers' share of unearned premiums	33,797	-	33,797	(147,750)	-	(147,750)
Reinsurers' share of outstanding claims	2,650	-	2,650	4,456	-	4,456
Reinsurers' share of claims incurred but not reported	5,114	-	5,114	(6,776)	-	(6,776)
Deferred policy acquisition costs	797	-	797	(6,319)	-	(6,319)
Prepaid expenses and other assets	9,622	(585)	9,037	(8,025)	(308)	(8,333)
Accrued commission on statutory deposit	-	(347)	(347)	-	(717)	(717)
Policyholders and accounts payables	5,920	-	5,920	(10,126)	-	(10,126)
Accrued and other liabilities	14,428	972	15,400	2,239	506	2,745
Reinsurers balances payable	(13,247)	-	(13,247)	100,640	-	100,640
Unearned premiums	(46,973)	-	(46,973)	222,300	-	222,300
Unearned reinsurance commission	(9,680)	-	(9,680)	15,999	-	15,999
Outstanding claims	5,801	-	5,801	(4,746)	-	(4,746)
Claims incurred but not reported	(9,207)	-	(9,207)	(318)	-	(318)
Premium deficiency reserve	(5,422)	-	(5,422)	2,547	-	2,547
Other technical reserves	3,035	-	3,035	1,284	-	1,284
Accrued commission on statutory deposit payable to SAMA	-	347	347	-	717	717
Due to shareholders operations	(38,677)	38,677	-	51,925	-	51,925
Due from Insurance Operations	-	-	-	-	(51,925)	(51,925)
	(54,274)	5,544	(48,730)	60,256	(60,478)	(222)
Employees' defined benefit obligations paid	(1,410)	-	(1,410)	(1,244)	-	(1,244)
Zakat and income tax paid	-	(14,904)	(14,904)	-	-	-
Net cash generated from / (used in) operating activities	(55,684)	(9,360)	(65,044)	59,012	(60,478)	(1,466)

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

19. SUPPLEMENTARY INFORMATION – (continued)

e) Condensed interim statement of cash flows

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2021 Total	Insurance operations	Share-holders' operations	2020 Total
	SAR'000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	-	(111,142)	(38,758)	(149,900)
Proceeds from Maturity of term deposit	-	-	-	-	61,831	61,831
Short term deposits	22,656	-	22,656	-	-	-
Purchase of property and equipment	(4,946)	-	(4,946)	(315)	-	(315)
Net cash generated from / (used in) investing activities	17,710	-	17,710	(111,457)	23,073	(88,384)
CASH FLOWS FROM A FINANCING ACTIVITY						
Payments of lease liabilities	(1,433)	-	(1,433)	(1,470)	-	(1,470)
Net cash used in financing activity	(1,433)	-	(1,433)	(1,470)	-	(1,470)
Net changes in cash and cash equivalents	(39,407)	(9,360)	(48,767)	(53,915)	(37,405)	(91,320)
Cash and cash equivalents, at the beginning of the period	51,356	10,379	61,735	216,199	41,454	257,653
Cash and cash equivalents, at the end of the period	11,949	1,019	12,968	162,284	4,049	166,333
NON-CASH INFORMATION						
Net change in fair value of available-for-sale investments	(4,485)	(3,020)	(7,505)	5,717	2,305	8,022

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and six-month periods ended 30 June 2021

20. IMPACT OF COVID-19

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the Six-month ended 30 June 2021. The Company's management continues to monitor the situation closely.

- **Credit risk management**

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Foods
- Airlines
- Freight companies
- Hotels
- Retail
- Construction
- Entertainment
- Tourism

- **Liquidity Risk**

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 9 August 2021 corresponding to Muharram 1, 1443 AH.