

**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**Unaudited Condensed Interim Financial Statements  
and Independent Auditors' Review Report**

**For the three-months period ended  
31 March 2022**

**UNITED COOPERATIVE ASSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2022**

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**KPMG Professional Services**  
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Headquarter in Riyadh



# Independent auditor's report on review of condensed interim financial statements

To the shareholders of United Cooperative Assurance Company

## Introduction

We have reviewed the accompanying condensed statement of financial position of United Cooperative Assurance Company – a Saudi Joint Stock Company (the “Company”) as at 31 March 2022, the condensed interim statements of income and condensed interim comprehensive income, condensed interim changes in equity and cash flows for the three 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 IAS 34, ‘Interim Financial Reporting’ that is 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 the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” that is 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 as at 31 March 2022 of **United Cooperative Assurance Company** are not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia.

## Other matter

The condensed interim financial statements for the three-months period ended 31 March 2021 were reviewed by another auditor who has expressed an unmodified conclusion on those statement dated 24 May 2021.

### KPMG Professional Services

**Nasser Ahmed Al Shutairy**  
License No: 454

### For Al Azem, Al Sudairy, Al Shaikh & Partners For Professional Consulting

**Salman B AlSudairy**  
License No: 283



Jeddah, Kingdom of Saudi Arabia  
23 May 2022  
Corresponding to: 22 Shawwal 1443H



**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

	Notes	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<i>SAR'000</i>			
<b>ASSETS</b>			
Cash and cash equivalents	4	50,628	87,769
Premiums and reinsurers' receivable – net	5	352,100	156,051
Reinsurers' share of unearned premiums	7	231,078	91,978
Reinsurers' share of outstanding claims	7	26,357	36,506
Reinsurers' share of claims incurred but not reported	7	121,773	114,849
Deferred policy acquisition costs		28,127	10,571
Investments	6	244,184	250,526
Prepaid expenses and other assets		66,654	60,335
Property and equipment – net		9,489	9,122
Intangible assets		11,493	9,813
Right-of-use assets – net	8	6,383	7,089
Goodwill	9	78,400	78,400
Statutory deposit	10	60,000	60,000
Accrued commission income on statutory deposit	10	5,626	5,396
<b>TOTAL ASSETS</b>		<b>1,292,292</b>	<b>978,405</b>

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes from 1 to 22 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 31 MARCH 2022**

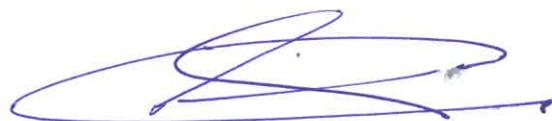
	Notes	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<i>SAR'000</i>			
<b>LIABILITIES</b>			
Policyholders payable		31,621	24,100
Accrued and other liabilities		119,175	68,985
Reinsurers balances payable		159,039	95,067
Unearned premiums	7	386,459	185,439
Unearned reinsurance commission		40,388	15,683
Outstanding claims	7	67,928	83,964
Claims incurred but not reported	7	146,226	140,599
Premium deficiency reserve	7	25,357	25,378
Other technical reserves	7	19,961	16,176
Employees' defined benefit obligations		9,078	10,029
Lease liabilities	8	6,238	6,187
Surplus from insurance operation		37,053	37,053
Zakat and income tax payable	15	16,846	14,846
Accrued commission income on statutory deposit payable to SAMA	10	5,626	5,396
<b>TOTAL LIABILITIES</b>		<b>1,070,995</b>	<b>728,902</b>
Fair value reserve on investments - insurance operations		(8,474)	(3,546)
<b>TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE</b>		<b>1,062,521</b>	<b>725,356</b>
<b>EQUITY</b>			
Share capital	16	400,000	400,000
Accumulated losses		(171,616)	(149,752)
Fair value reserve on investments		(1,547)	(133)
Re-measurement reserve of employees' defined benefit obligations		2,934	2,934
<b>TOTAL EQUITY</b>		<b>229,771</b>	<b>253,049</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS RESERVE AND EQUITY</b>		<b>1,292,292</b>	<b>978,405</b>
COMMITMENTS AND CONTINGENCIES	11	22,396	22,396



Chief Financial Officer



Chief Executive Officer



Director

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**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF INCOME  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

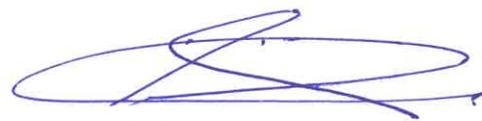
	Notes	Three-months period ended	
		31 March	
		2022 SAR'000 (Unaudited)	2021 SAR'000 (Unaudited)
<b>REVENUES</b>			
Gross premiums written	13.1	308,472	116,140
Reinsurance premiums ceded			
- Local		(21,502)	(5,938)
- Foreign		(177,157)	(53,145)
		(198,659)	(59,083)
Excess of loss expenses			
- Local		(553)	(212)
- Foreign		(2,439)	(1,357)
		(2,992)	(1,569)
<b>Net premiums written</b>		<b>106,821</b>	<b>55,488</b>
Changes in unearned premiums – net		(61,920)	(4,475)
<b>Net premiums earned</b>		<b>44,901</b>	<b>51,013</b>
Reinsurance commissions earned		8,958	12,002
<b>TOTAL REVENUES</b>		<b>53,859</b>	<b>63,015</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid		69,584	83,194
Reinsurers' share of claims paid		(20,844)	(29,414)
<b>Net claims paid</b>		<b>48,740</b>	<b>53,780</b>
Changes in outstanding claims – net		(5,887)	3,571
Changes in claims incurred but not reported – net		(1,297)	(543)
<b>Net claims incurred</b>		<b>41,556</b>	<b>56,808</b>
Premium deficiency reserve		(21)	(247)
Other technical reserves		3,785	2,586
Policy acquisition costs		6,949	6,136
Other underwriting expenses		878	850
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>53,147</b>	<b>66,133</b>
<b>NET UNDERWRITING RESULT</b>		<b>712</b>	<b>(3,118)</b>



Chief Financial Officer



Chief Executive Officer



Director

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**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF INCOME – (continued)  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

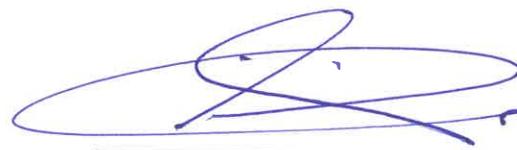
	Notes	Three-months period ended	
		31 March	
		2022	2021
		SAR'000	SAR'000
		(Unaudited)	(Unaudited)
<b>OTHER OPERATING (EXPENSES) / INCOME</b>			
General and administrative expenses		(20,426)	(23,414)
Provision for doubtful receivables	5	(2,127)	(2,788)
Board remuneration	14	(501)	(393)
Investment income		2,138	2,305
Other income		340	418
<b>TOTAL OTHER OPERATING EXPENSES – NET</b>		<b>(20,576)</b>	<b>(23,872)</b>
<b>LOSS FOR THE PERIOD</b>		<b>(19,864)</b>	<b>(26,990)</b>
<b>NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS</b>		<b>--</b>	<b>--</b>
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>		<b>(19,864)</b>	<b>(26,990)</b>
Zakat	15	(1,900)	(1,900)
Income tax	15	(100)	(100)
		<b>(2,000)</b>	<b>(2,000)</b>
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>(21,864)</b>	<b>(28,990)</b>
<b>Loss per share (Expressed in SAR per share)</b>			
Weighted average number of ordinary shares outstanding (in thousands shares)		<b>40,000</b>	40,000
Basic and diluted loss per share for the period (SAR per share)	18	<b>(0.55)</b>	(0.72)



Chief Financial Officer



Chief Executive Officer



Director

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**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

	Notes	Three-months period ended	
		31 March	
		2022	2021
		SAR'000	SAR'000
		(Unaudited)	(Unaudited)
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>(21,864)</b>	<b>(28,990)</b>
<b>Other comprehensive (loss) / income</b>			
<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	6	<b>(6,342)</b>	<b>(7,939)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(28,206)</b>	<b>(36,929)</b>
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTED TO THE INSURANCE OPERATIONS</b>		<b>4,928</b>	<b>5,485</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS OPERATIONS</b>		<b>(23,278)</b>	<b>(31,444)</b>

Chief Financial Officer

Chief Executive Officer

Director

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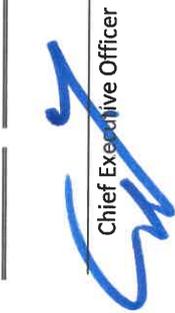
**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

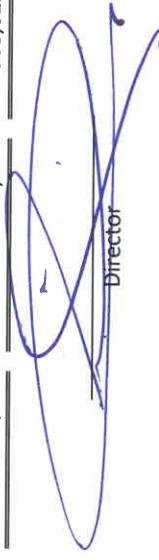
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve on investments	Re-measurement reserve of employees' defined benefit obligations	Total equity
	SAR'000					
<b>2022</b>						
Balance as at 31 December 2021 (Audited)	400,000	--	(149,752)	(133)	2,934	253,049
<i>Total comprehensive loss for the period</i>	--	--	(21,864)	--	--	(21,864)
Net loss for the period attributable to the shareholders	--	--	--	(1,414)	--	(1,414)
Net change in fair values of available-for-sale investments	--	--	--	--	--	--
Total comprehensive loss for the period attributable to the shareholders	--	--	(21,864)	(1,414)	--	(23,278)
<b>Balance as at 31 March 2022 (Unaudited)</b>	<b>400,000</b>	<b>--</b>	<b>(171,616)</b>	<b>(1,547)</b>	<b>2,934</b>	<b>229,771</b>

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve on investments	Re-measurement reserve of employees' defined benefit obligations	Total equity
	SAR'000					
<b>2021</b>						
Balance as at 31 December 2020 (Audited)	400,000	31,944	(108,025)	9,020	2,124	335,063
<i>Total comprehensive loss for the period</i>	-	-	(28,990)	-	-	(28,990)
Net loss for the period attributable to the shareholders	-	-	-	(2,454)	-	(2,454)
Net change in fair values of available-for-sale investments	-	-	-	-	-	-
Total comprehensive loss for the period attributable to the shareholders	-	-	(28,990)	(2,454)	-	(31,444)
<b>Balance as at 31 March 2021 (Unaudited)</b>	<b>400,000</b>	<b>31,944</b>	<b>(137,015)</b>	<b>6,566</b>	<b>2,124</b>	<b>303,619</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Director

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**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF CASHFLOWS  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

	Notes	Three-months period ended 31	
		March	
		2022	2021
		SAR'000	SAR'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss before zakat and income tax		(19,864)	(26,990)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		1,079	928
Depreciation of right-of-use assets	8	706	798
Finance cost on lease liabilities	8	51	62
Gain on disposal of property and equipment		(22)	--
Provision for doubtful receivables	5	2,127	2,788
Provision for employees' defined benefit obligations		--	672
		<b>(15,923)</b>	<b>(21,742)</b>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(198,176)	(34,039)
Reinsurers' share of unearned premiums		(139,100)	15,248
Reinsurers' share of outstanding claims		10,149	4,935
Reinsurers' share of claims incurred but not reported		(6,924)	1,148
Deferred policy acquisition costs		(17,556)	(1,472)
Prepaid expenses and other assets		(6,319)	(1,081)
Accrued commission income on statutory deposit		(230)	(293)
Policyholders payable		7,521	5,209
Accrued and other liabilities		50,190	12,619
Reinsurers balances payable		63,972	(13,682)
Unearned premiums		201,020	(10,773)
Unearned reinsurance commission		24,705	(5,135)
Outstanding claims		(16,036)	(1,364)
Claims incurred but not reported		5,627	(1,692)
Premium deficiency reserve		(21)	(247)
Other technical reserves		3,785	2,585
Accrued commission income on statutory deposit payable to SAMA		230	293
		<b>(33,086)</b>	<b>(49,483)</b>
Employees' defined benefit obligations paid		(951)	(1,220)
Zakat and income tax paid	15	--	(7,366)
<b>Net cash used in operating activities</b>		<b>(34,037)</b>	<b>(58,069)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of short-term deposits		--	22,656
Purchase of intangible assets		(1,680)	(1,042)
Purchase of property and equipment		(1,446)	(824)
Proceeds from sale of property and equipment		22	--
<b>Net cash (used in) / generated from investing activities</b>		<b>(3,104)</b>	<b>20,790</b>



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements

**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF CASHFLOWS – (continued)  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

	Notes	Three-months period ended 31	
		March	
		2022	2021
		SAR'000	SAR'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Payment of lease liabilities	8	--	(320)
<b>Net cash used in financing activity</b>		<b>--</b>	<b>(320)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(37,141)</b>	<b>(37,599)</b>
Cash and cash equivalents, at the beginning of the period		<b>87,769</b>	61,735
<b>Cash and cash equivalents, at the end of the period</b>		<b>50,628</b>	<b>24,136</b>
<b>NON-CASH INFORMATION</b>			
Net change in fair value of available-for-sale investments		<b>(6,342)</b>	<b>(7,939)</b>

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-MONTHS PERIOD ENDED 31 MARCH 2022**

**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 (KSA).

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 29 Dhul Hijja 1445H corresponding to 6 July 2024 to engage in insurance 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 Chartered and Professional Accountants ("SOCPA")).

**(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) 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.

**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

**2. BASIS OF PREPARATION – (continued)**

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

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 condensed interim statement of comprehensive income and condensed interim 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 International Financial Reporting Standard (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.

**Going Concern**

As at 31 March 2022, the Company’s accumulated losses reached 43% of its share capital (2021: 37%). During the three-month period 31 March 2022, the Company incurred net loss attributable to the shareholders amounting to SAR 21.86 million (31 March 2021: SAR 28.99 million) and has negative operating cash flows of SAR 34.04 million (2021: SAR 58.69 million). 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 which is approved by the Board of Directors and has undertaken strategic initiatives that will ensure healthy market penetration and retention levels while remaining in compliance with applicable regulatory requirements. Furthermore, the Company announced Board of Directors’ recommendation to increase share capital by offering right shares amounting to SAR 300 million to support the growth plan of the Company. The management of the Company does not have any intention to liquidate the Company or to cease the operations in the near future therefore the going concern basis of preparation of the financial statements is appropriate. Accordingly, these condensed interim financial statements have been prepared on the going concern basis.

**(c) Functional and presentation currency**

These 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.

**UNITED COOPERATIVE ASSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

**2. BASIS OF PREPARATION – (continued)**

**(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 2021. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the ongoing 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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2022, replacing, amending, or adding to the corresponding accounting policies set out in the 2021 annual financial statements.

**a) Amendments to Standards**

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions may have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.	Annual periods beginning on or after 1 April 2021.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**a) Amendments to Standards (Continued)**

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in the statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IAS 41, 'Agriculture' and the Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022

**(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 future date. The Company intends to adopt these standards when they are effective.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

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

***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”).

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.

**(a) 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

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

***IFRS 9 - Financial Instruments – (continued)***

**(b) 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:

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 2021.

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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

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

***IFRS 9 - Financial Instruments – (continued)***

**Impact assessment**

As at 31 March 2022, the Company has total financial assets and insurance related assets amounting to SAR 901.1 million (31 December 2021: SAR 768.26 million) and SAR 672.18 million (31 December 2021: SAR 409.9 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, premiums and certain other receivables amounting to SAR 100.8 million (31 December 2021: SAR 147.09 million). Other financial assets consist of available for sale investments amounting to SAR 244.18 million (31 December 2021: SAR 250.53 million).

As at 31 March 2022, the debt securities measured at fair value are of SAR 216.33 million (31 December 2021: SAR 223.4 million) with changes in fair value during the period ended 31 March 2022 of SAR 7.06 million (31 December 2021: SAR 16.23 million). Other financial assets have a fair value of SAR 27.62 million (31 December 2021: SAR 27.14 million) as at 31 March 2022 with a fair value change during the period ended 31 March 2022 of SAR 0.71 million (31 December 2021: SAR 0.2 million). The Company's financial assets have low credit risk as at 31 March 2022 and 31 December 2021. 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.

***IFRS 17 – Insurance Contracts***

**Overview**

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- a. embedded derivatives, if they meet certain specified criteria;
- b. distinct investment components; and
- c. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

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

***Measurement***

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General model is based on the following “building blocks”:

- a. the fulfilment cash flows (FCF), which comprise:
  - probability-weighted estimates of future cash flows;
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows;
  - and a risk adjustment for non-financial risk.
- b. the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
  - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
  - the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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 in addition to adjustment under general model;

- I. changes in the entity’s share of the fair value of underlying items; and
- 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

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

***IFRS 17 – Insurance Contracts– (continued)***

***Effective date***

The effective date of IFRS 17 is currently 1 January 2023 and will supersede IFRS 4 “Insurance Contracts”. Earlier adoption is permitted if both IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

***Transition***

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 in accounting policies for insurance contracts together with amendments to presentation and disclosures.

***Impact***

The Company is currently assessing the impact of the application and implementation of IFRS 17. 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 expects a material impact on measurement and disclosure of insurance and cession that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

**b) CASH AND CASH EQUIVALENTS**

**4.1 CASH AND CASH EQUIVALENTS**

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

	<b>31 March 2022 (Unaudited) SAR’000</b>	<b>31 December 2021 (Audited) SAR’000</b>
<b><i>Insurance operations</i></b>		
Bank balances	<b>50,021</b>	87,067
<b><i>Shareholders’ operations</i></b>		
Bank balances	<b>607</b>	702
Total	<b>50,628</b>	87,769

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**5. PREMIUMS AND REINSURERS' RECEIVABLE – NET**

Receivables comprise amounts due from the following:

	<b>31 March 2022 (Unaudited) SAR'000</b>	<b>31 December 2021 (Audited) SAR'000</b>
Policyholders	243,560	173,797
Brokers and agents	9,437	7,255
Related parties (note 14)	175,555	48,582
Receivables from reinsurers	6,260	7,002
	<u>434,812</u>	<u>236,636</u>
Provision for doubtful receivables	(82,712)	(80,585)
<b>Premiums and reinsurers' receivable – net</b>	<u><b>352,100</b></u>	<u><b>156,051</b></u>

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

	<b>31 March 2022 (Unaudited) SAR'000</b>	<b>31 December 2021 (Audited) SAR'000</b>
Balance at the beginning of the period / year	80,585	89,743
Provision charged during the period / year	2,127	--
Release of provision for the period / year	--	(9,158)
<b>Balance at the end of the period / year</b>	<u><b>82,712</b></u>	<u><b>80,585</b></u>

**6. INVESTMENTS**

	<b>31 March 2022 (Unaudited) SAR'000</b>	<b>31 December 2021 (Audited) SAR'000</b>
<b>Available-for-sale investments</b>		
Insurance operations (note 6.1)	81,473	86,401
Shareholders' operations (note 6.2)	162,711	164,125
	<u><b>244,184</b></u>	<u><b>250,526</b></u>

**6.1 Insurance operations**

	<b>31 March 2022 (Unaudited) SAR'000</b>	<b>31 December 2021 (Audited) SAR'000</b>
Movement during the period / year is as follows:		
Opening balance	86,401	115,088
Disposal during the period / year	--	(20,559)
Realized loss on disposals of investments	--	(848)
Changes in fair value of investments	(4,928)	(7,280)
Closing balance	<u><b>81,473</b></u>	<u><b>86,401</b></u>
Investment in sukuks	81,242	86,171
Investment in mutual funds	231	230
	<u><b>81,473</b></u>	<u><b>86,401</b></u>

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**6. INVESTMENTS– (continued)**

**6.2 Shareholders' operations**

	<b>31 March 2022 (Unaudited) SAR'000</b>	31 December 2021 (Audited) SAR'000
Movement during the period / year is as follows:		
Opening balance	<b>164,125</b>	173,278
Changes in fair value of investments	<b>(1,414)</b>	(9,153)
Closing balance	<b>162,711</b>	164,125
Investment in equity shares (Note 6.3)	<b>7,658</b>	6,686
Investment in sukuks	<b>135,090</b>	137,219
Investment in mutual funds	<b>19,963</b>	20,220
	<b>162,711</b>	164,125

6.3 This includes 3.85% (31 December 2021: 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:

	<b>31 March 2022 (Unaudited) SAR'000</b>	31 December 2021 (Audited) SAR'000
Outstanding claims	<b>67,928</b>	83,964
Claims incurred but not reported	<b>146,226</b>	140,599
	<b>214,154</b>	224,563
Premium deficiency reserve	<b>25,357</b>	25,378
Other technical reserves	<b>19,961</b>	16,176
	<b>259,472</b>	266,117
Less:		
- Reinsurers' share of outstanding claims	<b>(26,357)</b>	(36,506)
- Reinsurers' share of claims incurred but not reported	<b>(121,773)</b>	(114,849)
	<b>(148,130)</b>	(151,355)
<b>Net outstanding claims and reserves</b>	<b>111,342</b>	114,762

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**7. TECHNICAL RESERVES – (continued)**

**7.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	<b>Three-months period ended 31 March 2022</b>		
	<b>(Unaudited)</b>		
	<b>Gross</b>	<b>Reinsurances' share</b>	<b>Net</b>
	<b>SAR'000</b>		
Balance as at the beginning of the period	185,439	(91,978)	93,461
Premium written / (ceded) during the period	308,472	(201,651)	106,821
Premium earned during the period	(107,452)	62,551	(44,901)
Balance as at the end of the period	<u>386,459</u>	<u>(231,078)</u>	<u>155,381</u>
	<b>Year ended 31 December 2021</b>		
	<b>(Audited)</b>		
	<b>Gross</b>	<b>Reinsurances' share</b>	<b>Net</b>
	<b>SAR'000</b>		
Balance as at the beginning of the year	302,452	(209,598)	92,854
Premium written / (ceded) during the year	409,756	(234,476)	175,280
Premium earned during the year	(526,769)	352,096	(174,673)
Balance as at the end of the year	<u>185,439</u>	<u>(91,978)</u>	<u>93,461</u>

**8. LEASES**

**8.1 RIGHT-OF-USE ASSETS – NET**

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SAR'000</b>	
<b>Building</b>		
<b>Cost:</b>		
At beginning of the period / year	11,423	9,608
Additions during the period / year	--	4,768
Deletion during the period / year	--	(2,953)
At end of the period / year	<u>11,423</u>	<u>11,423</u>
<b>Accumulated depreciation:</b>		
At beginning of the period / year	4,334	2,052
Additions during the period / year	706	3,206
Deletions during the period / year	--	(924)
At end of the period / year	<u>5,040</u>	<u>4,334</u>
<b>Net book value</b>	<u>6,383</u>	<u>7,089</u>

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**8. LEASES – (continued)**

**8.2 LEASE LIABILITIES**

	<b>31 March 2022 (Unaudited) SAR'000</b>	31 December 2021 (Audited) SAR'000
At beginning of the period / year	<b>6,187</b>	6,397
Additions during the period / year	--	4,768
Deletions during the period / year	--	(1,946)
Finance cost	<b>51</b>	257
Payments during period / year	--	(3,289)
At end of the period / year	<b>6,238</b>	6,187

**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 656.95 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 2021 did not result in any impairment. Further, based on the results for the period ended 31 March 2022, management believes there is no revision required in the financial budget used for the goodwill impairment assessment performed on 31 December 2021. The significant assumptions used in determination of value in use calculations were weighted average cost of capital and long-term growth rate, estimated at 15% 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.

**10. STATUTORY DEPOSIT**

	<b>31 March 2022 (Unaudited) SAR'000</b>	31 December 2021 (Audited) SAR'000
Statutory deposit	<b>60,000</b>	60,000

In compliance with Article 58 of the Implementing Regulations of 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 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 statements.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**11. COMMITMENTS AND CONTINGENCIES**

	<b>31 March 2022 (Unaudited) SAR'000</b>	31 December 2021 (Audited) SAR'000
Letters of guarantee issued in favour of ZATCA	<b>22,096</b>	22,096
Letters of guarantee issued in favour of non-government customers	<b>300</b>	300
<b>Total</b>	<b>22,396</b>	22,396

- a. The Company has capital commitments outstanding as at 31 March 2022 amounting to SAR 19.4 million (31 December 2021: SAR 19.9 million) in respect of software development project.
- b. As at 31 March 2022, the Company's bankers have given guarantees to non-government customers amounting to SAR 0.3 million (2021: SAR 0.3 million) in respect of motor insurance and to the Zakat, Tax and Custom Authority (ZATCA) amounting to SAR 22.09 million (2021: SAR 22.09 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. Refer note 15 for the status of open zakat and 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.

***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.

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**12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)**

**31 March 2022 (Unaudited)**

	Level 1	Level 2	Level 3	Total
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
<b>Financial assets measured at fair value</b>				
<i>Equity securities and mutual funds</i>				
- Insurance operations	231	--	--	231
- Shareholders' operations	5,735	19,963	--	25,698
<i>Debt securities</i>				
- Insurance operations	--	81,242	--	81,242
- Shareholders' operations	--	135,090	--	135,090
	<u>5,966</u>	<u>236,295</u>	<u>--</u>	<u>242,261</u>

**31 December 2021 (Audited)**

	Level 1	Level 2	Level 3	Total
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
<b>Financial assets measured at fair value</b>				
<i>Equity securities and mutual funds</i>				
- Insurance operations	230	--	--	230
- Shareholders' operations	4,763	20,220	--	24,983
<i>Debt securities</i>				
- Insurance operations	--	86,171	--	86,171
- Shareholders' operations	--	137,219	--	137,219
	<u>4,993</u>	<u>243,610</u>	<u>--</u>	<u>248,603</u>

Available-for-sale investments includes an amount of SAR 1.9 million (31 December 2021: SAR 1.9 million) which is carried at cost as its fair value cannot be measured reliably, accordingly SAR 1.9 million has not been considered in Level 1, Level 2 and Level 3.

**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 2021.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**13. OPERATING SEGMENTS – (continued)**

Segment assets do not include cash and cash equivalents, 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' balance 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 31 March 2022 and 31 December 2021, its total revenues, expenses, and net income for the three-months periods ended 31 March 2022 and 31 March 2021, are as follows:

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**13. OPERATING SEGMENTS – (continued)**

	As at 31 March 2022 (Unaudited) SAR'000							
	Medical	Motor	Energy	Engineering	Others	Total insurance operations	Shareholders' operations	Total
<b>Assets</b>								
Reinsurers' share of unearned premiums	--	38,507	24,373	145,642	22,556	231,078	--	231,078
Reinsurers' share of outstanding claims	2,136	6,427	--	3,118	14,676	26,357	--	26,357
Reinsurers' share of claims incurred but not reported	117	7,011	22,679	46,380	45,586	121,773	--	121,773
Deferred policy acquisition costs	4,833	12,018	--	10,248	1,028	28,127	--	28,127
Unallocated assets						574,990	309,967	884,957
<b>Total assets</b>						<b>982,325</b>	<b>309,967</b>	<b>1,292,292</b>
<b>Liabilities</b>								
Unearned premiums	59,179	128,365	24,800	146,809	27,306	386,459	--	386,459
Unearned reinsurance commission	--	8,961	--	28,192	3,235	40,388	--	40,388
Outstanding claims	22,007	25,101	--	3,805	17,015	67,928	--	67,928
Claims incurred but not reported	5,396	18,218	23,076	47,814	51,722	146,226	--	146,226
Premium deficiency reserve	7,788	15,098	274	--	2,197	25,357	--	25,357
Other technical reserves	819	15,769	577	1,243	1,553	19,961	--	19,961
Unallocated liabilities and insurance operations reserve						352,279	23,923	376,202
<b>Total liabilities and insurance operations reserve</b>						<b>1,038,598</b>	<b>23,923</b>	<b>1,062,521</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)**  
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**13. OPERATING SEGMENTS – (continued)**

	As at 31 December 2021 (Audited) SAR'000							
	Medical	Motor	Energy	Engineering	Others	Total insurance operations	Shareholders' operations	Total
<b>Assets</b>								
Reinsurers' share of unearned premiums	--	15,752	--	54,912	21,314	91,978	--	91,978
Reinsurers' share of outstanding claims	795	7,613	--	5,901	22,197	36,506	--	36,506
Reinsurers' share of claims incurred but not reported	64	8,480	22,066	39,928	44,311	114,849	--	114,849
Deferred policy acquisition costs	3,955	3,602	--	1,513	1,501	10,571	--	10,571
Unallocated assets						<u>414,656</u>	<u>309,845</u>	<u>724,501</u>
<b>Total assets</b>						<u><u>668,560</u></u>	<u><u>309,845</u></u>	<u><u>978,405</u></u>
<b>Liabilities</b>								
Unearned premiums	50,708	52,521	--	55,946	26,264	185,439	--	185,439
Unearned reinsurance commission	--	3,007	--	8,722	3,954	15,683	--	15,683
Outstanding claims	21,885	28,884	--	6,905	26,290	83,964	--	83,964
Claims incurred but not reported	2,863	23,624	22,452	41,270	50,390	140,599	--	140,599
Premium deficiency reserve	5,825	18,974	--	--	579	25,378	--	25,378
Other technical reserves	690	12,168	561	1,118	1,639	16,176	--	16,176
Unallocated liabilities and insurance operations reserve						<u>235,706</u>	<u>22,411</u>	<u>258,117</u>
<b>Total liabilities and insurance operations reserve</b>						<u><u>702,945</u></u>	<u><u>22,411</u></u>	<u><u>725,356</u></u>

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**13. OPERATING SEGMENTS – (continued)**

	<i>Three-months period ended 31 March 2022 (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>
<b>REVENUES</b>						
Gross premiums written						
- Individual	46	27,616	--	--	57	27,719
- Micro enterprises	6,600	7,053	--	--	396	14,049
- Small enterprises	14,017	9,980	--	35	5,106	29,138
- Medium enterprises	6,841	1,487	--	6,343	936	15,607
- Large enterprises	3,886	60,885	43,353	108,068	5,767	221,959
	<b>31,390</b>	<b>107,021</b>	<b>43,353</b>	<b>114,446</b>	<b>12,262</b>	<b>308,472</b>
Reinsurance premiums ceded						
- Local	--	(10,701)	--	(9,905)	(896)	(21,502)
- Foreign	(35)	(21,400)	(42,607)	(103,781)	(9,334)	(177,157)
	<b>(35)</b>	<b>(32,101)</b>	<b>(42,607)</b>	<b>(113,686)</b>	<b>(10,230)</b>	<b>(198,659)</b>
Excess of loss expenses						
- Local	(256)	(154)	--	--	(143)	(553)
- Foreign	(1,022)	(727)	--	--	(690)	(2,439)
	<b>(1,278)</b>	<b>(881)</b>	<b>--</b>	<b>--</b>	<b>(833)</b>	<b>(2,992)</b>
<b>Net premiums written</b>	<b>30,077</b>	<b>74,039</b>	<b>746</b>	<b>760</b>	<b>1,199</b>	<b>106,821</b>
Changes in unearned premiums – net	(8,471)	(53,090)	(427)	(132)	200	(61,920)
<b>Net premiums earned</b>	<b>21,606</b>	<b>20,949</b>	<b>319</b>	<b>628</b>	<b>1,399</b>	<b>44,901</b>
Reinsurance commissions earned	--	2,186	420	4,524	1,828	8,958
<b>TOTAL REVENUES</b>	<b>21,606</b>	<b>23,135</b>	<b>739</b>	<b>5,152</b>	<b>3,227</b>	<b>53,859</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	20,561	37,809	--	763	10,451	69,584
Reinsurers' share of claims paid	(835)	(11,087)	--	(555)	(8,367)	(20,844)
<b>Net claims paid</b>	<b>19,726</b>	<b>26,722</b>	<b>--</b>	<b>208</b>	<b>2,084</b>	<b>48,740</b>
Changes in outstanding claims, net	(1,219)	(2,598)	--	(317)	(1,753)	(5,887)
Changes in claims incurred but not reported – net	2,479	(3,938)	11	92	59	(1,297)
<b>Net claims incurred</b>	<b>20,986</b>	<b>20,186</b>	<b>11</b>	<b>(17)</b>	<b>390</b>	<b>41,556</b>
Premium deficiency reserve	1,963	(3,876)	274	--	1,618	(21)
Other technical reserves	130	3,601	16	125	(87)	3,785
Policy acquisition costs	1,870	2,944	--	1,645	490	6,949
Other underwriting expenses	355	143	217	105	58	878
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>25,304</b>	<b>22,998</b>	<b>518</b>	<b>1,858</b>	<b>2,469</b>	<b>53,147</b>
<b>NET UNDERWRITING RESULT</b>	<b>(3,698)</b>	<b>137</b>	<b>221</b>	<b>3,294</b>	<b>758</b>	<b>712</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)**  
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**13. OPERATING SEGMENTS – (continued)**

	<i>Three-months period ended 31 March 2022 (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>
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>						
General and administrative expenses						(20,426)
Provision for doubtful receivables						(2,127)
Board remuneration						(501)
Investment income						2,138
Other income						340
<b>TOTAL OTHER OPERATING EXPENSES – NET</b>						<b>(20,576)</b>
<b>LOSS FOR THE PERIOD</b>						<b>(19,864)</b>
<b>Net income for the period attributable to insurance operations</b>						<b>--</b>
<b>Net loss for the period attributable to the shareholders before zakat and income tax</b>						<b>(19,864)</b>
<b>Zakat</b>						<b>(1,900)</b>
<b>Income tax</b>						<b>(100)</b>
						<b>(2,000)</b>
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>						<b>(21,864)</b>

**\*13.1 Additional information**

	<i>Three-months period ended 31 March 2022 (Unaudited)</i>				
	<i>Medical</i>	<i>Motor</i>	<i>Property and casualty</i>	<i>Protection and savings</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>REVENUES</u></b>					
Gross premiums written					
- Individual	46	27,616	57	--	27,719
- Micro enterprises	6,600	7,053	396	--	14,049
- Small enterprises	14,017	9,980	5,141	--	29,138
- Medium enterprises	6,841	1,487	7,279	--	15,607
- Large enterprises	3,886	60,885	157,188	--	221,959
	<b>31,390</b>	<b>107,021</b>	<b>170,061</b>	<b>--</b>	<b>308,472</b>

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**13. OPERATING SEGMENTS – (continued)**

	<i>Three-months period ended 31 March 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>
<b>REVENUES</b>						
Gross premiums written						
- Individual	--	1,267	--	--	--	1,267
- Micro enterprises	6,560	5,133	--	--	3,146	14,839
- Small enterprises	13,781	10,042	829	99	5,726	30,477
- Medium enterprises	9,453	15,376	--	3,835	6,201	34,865
- Large enterprises	684	284	24,631	2,166	6,927	34,692
	30,478	32,102	25,460	6,100	22,000	116,140
Reinsurance premiums ceded						
- Local	(54)	(3,291)	--	(568)	(2,025)	(5,938)
- Foreign	(261)	(6,185)	(25,028)	(4,652)	(17,019)	(53,145)
	(315)	(9,476)	(25,028)	(5,220)	(19,044)	(59,083)
Excess of loss expenses						
- Local	--	(107)	--	--	(105)	(212)
- Foreign	--	(608)	--	--	(749)	(1,357)
	--	(715)	--	--	(854)	(1,569)
<i>Net premiums written</i>	30,163	21,911	432	880	2,102	55,488
Changes in unearned premiums – net	(19,759)	16,865	(319)	270	(1,532)	(4,475)
<i>Net premiums earned</i>	10,404	38,776	113	1,150	570	51,013
Reinsurance commissions earned	-	3,362	425	5,484	2,731	12,002
<b>TOTAL REVENUES</b>	<b>10,404</b>	<b>42,138</b>	<b>538</b>	<b>6,634</b>	<b>3,301</b>	<b>63,015</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	11,447	66,455	--	521	4,771	83,194
Reinsurers' share of claims paid	(5,960)	(19,419)	--	(306)	(3,729)	(29,414)
<i>Net claims paid</i>	5,487	47,036	--	215	1,042	53,780
Changes in outstanding claims, net	4,205	36	--	(88)	(582)	3,571
Changes in claims incurred but not reported – net	570	(858)	--	(232)	(23)	(543)
<i>Net claims incurred</i>	10,262	46,214	--	(105)	437	56,808
Premium deficiency reserve	260	(794)	344	--	(57)	(247)
Other technical reserves	92	2,503	--	7	(16)	2,586
Policy acquisition costs	1,126	3,199	--	872	939	6,136
Other underwriting expenses	230	248	127	153	92	850
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>11,970</b>	<b>51,370</b>	<b>471</b>	<b>927</b>	<b>1,395</b>	<b>66,133</b>
<b>NET UNDERWRITING RESULT</b>	<b>(1,566)</b>	<b>(9,232)</b>	<b>67</b>	<b>5,707</b>	<b>1,906</b>	<b>(3,118)</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)**  
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**13. OPERATING SEGMENTS – (continued)**

	<i>Three-months period ended 31 March 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 (EXPENSES) / INCOME</u>						
General and administrative expenses						(23,414)
Provision for doubtful receivables						(2,788)
Board remuneration						(393)
Investments income						2,305
Other income						418
TOTAL OTHER OPERATING EXPENSES – NET						<u>(23,872)</u>
LOSS FOR THE PERIOD						<u>(26,990)</u>
Net loss for the period attributable to insurance operations						--
Net loss for the period attributable to the shareholders before zakat and income tax						<u>(26,990)</u>
Zakat						(1,900)
Income tax						(100)
						<u>(2,000)</u>
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS						<u><u>(28,990)</u></u>

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**13. OPERATING SEGMENTS – (continued)**

**\*13.1 Additional information**

	<i>Three-months period ended 31 March 2021 (Unaudited)</i>				
	<i>Medical</i> <i>SAR'000</i>	<i>Motor</i> <i>SAR'000</i>	<i>Property and</i> <i>casualty</i> <i>SAR'000</i>	<i>Protection and</i> <i>savings</i> <i>SAR'000</i>	<i>Total</i> <i>SAR'000</i>
<b>REVENUES</b>					
Gross premiums written					
- Individual	--	1,267	--	--	1,267
- Micro enterprises	6,560	5,133	3,146	--	14,839
- Small enterprises	13,781	10,042	6,654	--	30,477
- Medium enterprises	9,453	15,376	10,036	--	34,865
- Large enterprises	684	284	33,724	--	34,692
	<u>30,478</u>	<u>32,102</u>	<u>53,560</u>	<u>--</u>	<u>116,140</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:

	<u>Nature of transactions</u>	<u>Three-months period ended</u>	
		<u>31 March</u>	
		<u>2022</u>	<u>2021</u>
		<u>SAR'000</u>	<u>SAR'000</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b><u>Major shareholders</u></b>			
Haji Hussien Ali Reza	Premium written	3,187	2,205
	Payments received and claims paid	(1,063)	(3,062)
Saudi Bin Laden – Group	Premium written	131,718	3,338
	Payments received and claims paid	(10,979)	(8,687)
Construction Product Company	Premium written	6,965	5,480
	Payments received and claims paid	(2,853)	(1,180)
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>			
Law Office of Hassan Mahassni	Premium written	--	--
	Payments received and claims paid	--	(142)
Middle East Group	Payments received and claims paid	(1)	(13)

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)**  
**FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

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

**14.2 RELATED PARTIES BALANCES**

	<b>Balance receivable / (payable) as at</b>	
	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
	<b>SAR'000</b>	
<b>Premium receivable</b>		
Haji Hussien Ali Reza	6,957	4,833
Saudi Bin Laden – Group	160,611	39,872
Construction Product Company	7,929	3,818
Law Office of Hassan Mahassni	55	55
	<b>175,552</b>	<b>48,578</b>
<b>Other balances</b>		
United Commercial Agencies	3	4
	<b>175,555</b>	<b>48,582</b>

These balances are included under prepayments and other assets, policyholder 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.

The following table shows the annual salaries, remuneration and allowances obtained by the key management personnel for the period ended 31 March 2022 and 31 March 2021:

	<b>Three-months period ended</b>	
	<b>31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>SAR'000</b>	<b>SAR'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other allowances	1,471	1,454
End of service indemnities	84	121
	<b>1,555</b>	<b>1,575</b>
Remuneration to those charged with governance	<b>501</b>	<b>393</b>

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**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:

	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
	<b>SAR'000</b>	
Balance at the beginning of the period / year	<b>13,546</b>	20,850
Charge for the current year	<b>1,900</b>	7,600
Paid during the period / year	--	(14,904)
Balance at the end of the period / year	<b>15,446</b>	13,546

The movement in the income tax payable is as follows:

	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
	<b>SAR'000</b>	
Balance at the beginning of the period / year	<b>1,300</b>	900
Charge for the period / year	<b>100</b>	400
Balance at the end of the period / year	<b>1,400</b>	1,300
Total	<b>16,846</b>	14,846

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 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 2020 and obtained restricted zakat and tax certificates.

**Assessment years 2005, 2006, 2007 and 2008**

During 2017, the Company received the zakat assessments for the years 2005 to 2008 from the ZATCA with regards to the insurance operations transferred from UCA Insurance Bahrain BSC claiming zakat liability amounting to SAR 6.01 million and withholding tax liability amounting to SAR 16.09 million. Management has filed an objection against the above assessments and is confident of receiving a favorable outcome. Further, the Company has issued a bank guarantee in favor of ZATCA amounting to SAR 22.09 million (2021: SAR 22.09 million) against such assessments (see note 11). Management is of the view that any additional liability as a result of these assessments will eventually be charged to the shareholders of the UCA Insurance Bahrain BSC.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**15. ZAKAT AND INCOME TAX – (continued)**

***Assessment years 2012 and 2013***

During 2018, ZATCA had issued assessments for the years 2012 and 2013 claiming additional zakat and income tax liability amounting to SAR 15.84 million. The Company will escalate the case to the GSTC in order to assign a hearing session and will proceed for final settlement with the Dispute Resolution Committee and expect to settle about SAR 7.05 million.

***Assessment years 2019 and 2020***

During the year, ZATCA has issued a final assessment for the years 2019 and 2020, which resulted in additional Zakat liability for the year 2019 of SAR 1.46 million and credit balance for the year 2020 of SAR 1.732 million due to refund of Zakat on certain items. The Company has filed an objection for the said years against the ZATCA's amendments and waiting for ZATCA discussion.

***VAT assessment***

On 25 August 2020, the Company received an assessment from ZATCA to pay additional principal VAT of SAR 12.28 million for the years 2018 and 2019 as well as additional fines of SAR 20.25 million for those years. In order to avoid incurring additional fines the Company paid the principal VAT on 28 October 2020 without prejudice to its position and objected to the items issued for the evaluation. On 20 February 2021, the Company filed an appeal with the General Secretariat of Tax Committees (GSTC) against the decision of the ZATCA for which management is confident of a favorable outcome. The objected items are zero rated supplies, self-invoicing, and reinsurance commission.

The fines imposed on the assessments amounting to SAR 20.25 million for the years 2018 and 2019 were subsequently canceled as the Company has taken advantage of ZATCA's initiative to stabilize the economy and boost the private sector.

The Company has booked a provision against VAT on zero rated supplies. On other objected items, the Company's tax consultant is confident of a favorable outcome.

**16. SHARE CAPITAL**

As at 31 March 2022 and 31 December 2021, 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.

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**17. CAPITAL MANAGEMENT - (continued)**

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.

**19. SUPPLEMENTARY INFORMATION**

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

**a) Interim statement of financial position**

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000					
<b>ASSETS</b>						
Cash and cash equivalents	50,021	607	50,628	87,067	702	87,769
Premiums and reinsurers' receivable – net	352,100	--	352,100	156,051	--	156,051
Reinsurers' share of unearned premiums	231,078	--	231,078	91,978	--	91,978
Reinsurers' share of outstanding claims	26,357	--	26,357	36,506	--	36,506
Reinsurers' share of claims incurred but not reported	121,773	--	121,773	114,849	--	114,849
Deferred policy acquisition costs	28,127	--	28,127	10,571	--	10,571
Investments	81,473	162,711	244,184	86,401	164,125	250,526
Due from insurance operations	59,205	--	59,205	37,315	--	37,315
Prepaid expenses and other assets	64,031	2,623	66,654	59,113	1,222	60,335
Property and equipment – net	9,489	--	9,489	9,122	--	9,122
Intangible assets	11,493	--	11,493	9,813	--	9,813
Right-of-use asset – net	6,383	--	6,383	7,089	--	7,089
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	--	5,626	5,626	--	5,396	5,396
	<b>1,041,530</b>	<b>309,967</b>	<b>1,351,497</b>	<b>705,875</b>	<b>309,845</b>	<b>1,015,720</b>
Less: Inter-operations eliminations	(59,205)	--	(59,205)	(37,315)	--	(37,315)
<b>TOTAL ASSETS</b>	<b>982,325</b>	<b>309,967</b>	<b>1,292,292</b>	<b>668,560</b>	<b>309,845</b>	<b>978,405</b>

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**19. SUPPLEMENTARY INFORMATION – (continued)**

**a) Interim statement of financial position – (continued)**

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>LIABILITIES</b>						
Policyholders payable	31,621	--	31,621	24,100	--	24,100
Accrued and other liabilities	117,724	1,451	119,175	66,816	2,169	68,985
Reinsurers balances payable	159,039	--	159,039	95,067	--	95,067
Unearned premiums	386,459	--	386,459	185,439	--	185,439
Unearned reinsurance commission	40,388	--	40,388	15,683	--	15,683
Outstanding claims	67,928	--	67,928	83,964	--	83,964
Claims incurred but not reported	146,226	--	146,226	140,599	--	140,599
Premium deficiency reserve	25,357	--	25,357	25,378	--	25,378
Other technical reserves	19,961	--	19,961	16,176	--	16,176
Due to shareholders' operations	--	59,205	59,205	--	37,315	37,315
Employees' defined benefit obligations	9,078	--	9,078	10,029	--	10,029
Lease liabilities	6,238	--	6,238	6,187	--	6,187
Insurance operations' surplus	37,053	--	37,053	37,053	--	37,053
Zakat and income tax payable	--	16,846	16,846	--	14,846	14,846
Accrued commission income on statutory deposit payable to SAMA	--	5,626	5,626	--	5,396	5,396
	<u>1,047,072</u>	<u>83,128</u>	<u>1,130,200</u>	706,491	59,726	766,217
<u>Less: Inter-operations eliminations</u>	--	(59,205)	(59,205)	--	(37,315)	(37,315)
	<u>1,047,072</u>	<u>23,923</u>	<u>1,070,995</u>	706,491	22,411	728,902
Fair value reserve on investments - insurance operations	(8,474)	--	(8,474)	(3,546)	--	(3,546)
<b>TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE</b>	<u>1,038,598</u>	<u>23,923</u>	<u>1,062,521</u>	702,945	22,411	725,356
<b>EQUITY</b>						
Share capital	--	400,000	400,000	--	400,000	400,000
Accumulated losses	--	(171,616)	(171,616)	--	(149,752)	(149,752)
Fair value reserve on investments	--	(1,547)	(1,547)	--	(133)	(133)
Re-measurement reserve of employees' defined benefit obligations	2,934	--	2,934	2,934	--	2,934
<b>TOTAL EQUITY</b>	<u>2,934</u>	<u>226,837</u>	<u>229,771</u>	2,934	250,115	253,049
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS RESERVE AND EQUITY</b>	<u>1,041,532</u>	<u>250,760</u>	<u>1,292,292</u>	705,879	272,526	978,405

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**19. SUPPLEMENTARY INFORMATION – (continued)**

**b) Interim statement of income**

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2022 Total	Insurance operations	Share-holders' operations	2021 Total
	<b>SAR'000</b>					
<b>REVENUES</b>						
Gross premiums written	308,472	--	308,472	116,140	--	116,140
Reinsurance premiums ceded						
- Local	(21,502)	--	(21,502)	(5,938)	--	(5,938)
- Foreign	(177,157)	--	(177,157)	(53,145)	--	(53,145)
	(198,659)	--	(198,659)	(59,083)	--	(59,083)
Excess of loss expenses						
- Local	(553)	--	(553)	(212)	--	(212)
- Foreign	(2,439)	--	(2,439)	(1,357)	--	(1,357)
	(2,992)	--	(2,992)	(1,569)	--	(1,569)
<b>Net premiums written</b>	<b>106,821</b>	<b>--</b>	<b>106,821</b>	<b>55,488</b>	<b>--</b>	<b>55,488</b>
Changes in unearned premiums – net	(61,920)	--	(61,920)	(4,475)	--	(4,475)
<b>Net premiums earned</b>	<b>44,901</b>	<b>--</b>	<b>44,901</b>	<b>51,013</b>	<b>--</b>	<b>51,013</b>
Reinsurance commissions earned	8,958	--	8,958	12,002	--	12,002
<b>TOTAL REVENUES</b>	<b>53,859</b>	<b>--</b>	<b>53,859</b>	<b>63,015</b>	<b>--</b>	<b>63,015</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	69,584	--	69,584	83,194	--	83,194
Reinsurers' share of claims paid	(20,844)	--	(20,844)	(29,414)	--	(29,414)
<b>Net claims</b>	<b>48,740</b>	<b>--</b>	<b>48,740</b>	<b>53,780</b>	<b>--</b>	<b>53,780</b>
Changes in outstanding claims, net	(5,887)	--	(5,887)	3,571	--	3,571
Changes in claims incurred but not reported – net	(1,297)	--	(1,297)	(543)	--	(543)
<b>Net claims incurred</b>	<b>41,556</b>	<b>--</b>	<b>41,556</b>	<b>56,808</b>	<b>--</b>	<b>56,808</b>
Premium deficiency reserve	(21)	--	(21)	(247)	--	(247)
Other technical reserves	3,785	--	3,785	2,586	--	2,586
Policy acquisition costs	6,949	--	6,949	6,136	--	6,136
Other underwriting expenses	878	--	878	850	--	850
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>53,147</b>	<b>--</b>	<b>53,147</b>	<b>66,133</b>	<b>--</b>	<b>66,133</b>
<b>NET UNDERWRITING RESULT</b>	<b>712</b>	<b>--</b>	<b>712</b>	<b>(3,118)</b>	<b>--</b>	<b>(3,118)</b>

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19. SUPPLEMENTARY INFORMATION – (continued)

b) *Interim statement of income – (continued)*

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2022 Total	Insurance operations	Share-holders' operations	2021 Total
	SAR'000					
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
General and administrative expenses	(19,608)	(818)	(20,426)	(22,629)	(785)	(23,414)
Provision for doubtful receivables	(2,127)	--	(2,127)	(2,788)	--	(2,788)
Board remuneration	--	(501)	(501)	--	(393)	(393)
Investment income	900	1,238	2,138	1,114	1,191	2,305
Other income	340	--	340	418	--	418
<b>TOTAL OTHER OPERATING (EXPENSES) / INCOME – NET</b>	<b>(20,495)</b>	<b>(81)</b>	<b>(20,576)</b>	<b>(23,885)</b>	<b>13</b>	<b>(23,872)</b>
<b>LOSS FOR THE PERIOD</b>	<b>(19,783)</b>	<b>(81)</b>	<b>(19,864)</b>	<b>(27,003)</b>	<b>13</b>	<b>(26,990)</b>
<b>SHAREHOLDERS' ABSORPTION OF LOSS / (INCOME)</b>	<b>19,783</b>	<b>(19,783)</b>	<b>--</b>	<b>27,003</b>	<b>(27,003)</b>	<b>--</b>
<b>NET LOSS FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX</b>	<b>--</b>	<b>(19,864)</b>	<b>(19,864)</b>	<b>--</b>	<b>(26,990)</b>	<b>(26,990)</b>
Zakat	--	1,900	1,900	--	(1,900)	(1,900)
Income tax	--	100	100	--	(100)	(100)
	--	(2,000)	(2,000)	--	(2,000)	(2,000)
<b>NET LOSS FOR THE PERIOD</b>	<b>--</b>	<b>(21,864)</b>	<b>(21,864)</b>	<b>--</b>	<b>(28,990)</b>	<b>(28,990)</b>
<b>Loss per share (Expressed in SAR per share)</b>						
Weighted average number of ordinary shares outstanding (in thousands shares)		<b>40,000</b>			<b>40,000</b>	
Basic and diluted loss per share for the period (SAR per share)		<b>(0.55)</b>			<b>(0.72)</b>	

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)**  
**FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

19. SUPPLEMENTARY INFORMATION – (continued)

c) *Interim statement of comprehensive income*

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2022 Total	Insurance operations	Share-holders' operations	2021 Total
	SAR'000					
<b>NET LOSS FOR THE PERIOD</b>	--	(21,864)	(21,864)	--	(28,990)	(28,990)
Other comprehensive (loss) / income						
<i>Items that are or may be reclassified to interim statement of income in subsequent periods</i>						
<i>Available-for-sale investments:</i>						
- Net change in fair value	(4,928)	(1,414)	(6,342)	(5,485)	(2,454)	(7,939)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(4,928)</u>	<u>(23,278)</u>	<u>(28,206)</u>	<u>(5,485)</u>	<u>(31,444)</u>	<u>(36,929)</u>

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**19. SUPPLEMENTARY INFORMATION – (continued)**

**d) Interim statement of cash flows**

	<i>Three-months period ended 31 March (Unaudited)</i>					
	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>2022 Total</b>	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>2021 Total</b>
	<b>SAR'000</b>					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss for the period before zakat and income tax	--	(19,864)	(19,864)	--	(26,990)	(26,990)
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	1,079	--	1,079	928	--	928
Depreciation of right-of-use assets	706	--	706	798	--	798
Finance cost on right-of-use assets	51	--	51	62	--	62
Provision for doubtful receivables	2,127	--	2,127	2,788	--	2,788
Provision for employees' defined benefit obligations	--	--	--	672	--	672
Gain on sale of fixed assets	(22)	--	(22)	--	--	--
	<b>3,941</b>	<b>(19,864)</b>	<b>(15,923)</b>	<b>5,248</b>	<b>(26,990)</b>	<b>(21,742)</b>
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	(198,176)	--	(198,176)	(34,039)	--	(34,039)
Reinsurers' share of unearned premiums	(139,100)	--	(139,100)	15,248	--	15,248
Reinsurers' share of outstanding claims	10,149	--	10,149	4,935	--	4,935
Reinsurers' share of claims incurred but not reported	(6,924)	--	(6,924)	1,148	--	1,148
Deferred policy acquisition costs	(17,556)	--	(17,556)	(1,472)	--	(1,472)
Prepaid expenses and other assets	(4,918)	(1,401)	(6,319)	355	(1,436)	(1,081)
Accrued commission on statutory deposit	--	(230)	(230)	--	(293)	(293)
Policyholders and accounts payables	7,521	--	7,521	5,209	--	5,209
Accrued and other liabilities	50,910	(720)	50,190	12,003	616	12,619
Reinsurers balances payable	63,972	--	63,972	(13,682)	--	(13,682)
Unearned premiums	201,020	--	201,020	(10,773)	--	(10,773)
Unearned reinsurance commission	24,705	--	24,705	(5,135)	--	(5,135)
Outstanding claims	(16,036)	--	(16,036)	(1,364)	--	(1,364)
Claims incurred but not reported	5,627	--	5,627	(1,692)	--	(1,692)
Premium deficiency reserve	(21)	--	(21)	(247)	--	(247)
Other technical reserves	3,785	--	3,785	2,585	--	2,585
Accrued commission on statutory deposit payable to SAMA	--	230	230	--	293	293
Due to shareholders operations	(21,890)	--	(21,890)	(30,659)	--	(30,659)
Due from Insurance Operations	--	21,890	21,890	--	30,659	30,659
	<b>(32,991)</b>	<b>(95)</b>	<b>(33,086)</b>	<b>(52,332)</b>	<b>2,849</b>	<b>(49,483)</b>
Employees' defined benefit obligations paid	(951)	--	(951)	(1,220)	--	(1,220)
Zakat and income tax paid	--	--	--	--	(7,366)	(7,366)
<b>Net cash used in from operating activities</b>	<b>(33,942)</b>	<b>(95)</b>	<b>(34,037)</b>	<b>(53,552)</b>	<b>(4,517)</b>	<b>(58,069)</b>

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**19. SUPPLEMENTARY INFORMATION – (continued)**

*f) Interim statement of cash flows – (continued)*

	<i>Three-months period ended 31 March (Unaudited)</i>					
	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>2022 Total</b>	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>2021 Total</b>
	<b>SAR'000</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Maturity of short-term deposits	--	--	--	22,656	--	22,656
Purchase of intangible assets	<b>(1,680)</b>	--	<b>(1,680)</b>	(1,042)	--	(1,042)
Purchase of property and equipment	<b>(1,446)</b>	--	<b>(1,446)</b>	(824)	--	(824)
Proceeds from sale of fixed asset	<b>22</b>	--	<b>22</b>	--	--	--
<b>Net cash (used in) / generated from investing activities</b>	<b>(3,104)</b>	--	<b>(3,104)</b>	20,790	--	20,790
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments of lease liabilities	--	--	--	(320)	--	(320)
<b>Net cash used in from financing activities</b>	--	--	--	(320)	--	(320)
<b>Net changes in cash and cash equivalents</b>	<b>(37,046)</b>	<b>(95)</b>	<b>(37,141)</b>	(33,082)	(4,517)	(37,599)
Cash and cash equivalents, at the beginning of the period	<b>87,067</b>	<b>702</b>	<b>87,769</b>	51,356	10,379	61,735
<b>Cash and cash equivalents, at the end of the period</b>	<b>50,021</b>	<b>607</b>	<b>50,628</b>	18,274	5,862	24,136
<b>NON-CASH INFORMATION</b>						
Net change in fair value of available-for-sale investments	<b>(4,928)</b>	<b>(1,414)</b>	<b>(6,342)</b>	(5,485)	(2,454)	(7,939)

**20. IMPACT OF COVID-19**

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the period ended 31 March 2022 including the significant accounting judgements and estimates.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)  
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**20. IMPACT OF COVID-19 - (continued)**

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

**21. SUBSEQUENT EVENTS**

Subsequent to the period ended 31 March 2022, the Company has announced the receipt of a letter from Saudi Central Bank containing Saudi Central Bank approval to increase Company's capital from SAR 400 million to SAR 700 million by Offering Right Issues subject to meets all the requirements of other official authorities.

**22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements have been approved by the Board of Directors on, 15 Sha'awal 1443 AH, corresponding to 16 May 2022.