

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements
and Review Report

For the three-month and six-month periods ended
30 June 2018

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 June 2018

INDEX	PAGE
Report on Review of Interim Condensed Financial Statements	1
Interim Statement of Financial Position	3 – 4
Interim Statement of Income	5 – 6
Interim Statement of Comprehensive Income	7
Interim Statement of Changes in Shareholders' Equity	8
Interim Statement of Insurance Operations' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 44

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
SAR '000			
ASSETS			
Cash and cash equivalents	4	71,157	138,796
Premiums and reinsurers' receivable - net	5	251,581	253,621
Reinsurers' share of unearned premiums	7	142,278	204,792
Reinsurers' share of outstanding claims	7	83,512	89,384
Reinsurers' share of claims Incurred but not reported	7	157,811	202,521
Deferred policy acquisition costs		6,543	10,301
Investments	6	395,021	395,077
Prepaid expenses and other assets		57,040	53,917
Property and equipment		2,468	2,667
Goodwill		78,400	78,400
Statutory deposit	8	73,500	73,500
Accrued income on statutory deposit		1,819	1,448
TOTAL ASSETS		1,321,130	1,504,424





The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION – (continued)
AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
SAR '000			
LIABILITIES			
Policyholders claims payable		6,563	9,177
Accrued and other liabilities		62,859	97,362
Reinsurers' balances payable		181,067	178,145
Unearned premiums	7	197,346	270,374
Unearned reinsurance commission		22,240	31,460
Outstanding claims	7	107,377	122,927
Claims incurred but not reported	7	229,464	281,638
Premium deficiency reserve		12,782	3,566
Other technical reserves		6,058	6,925
Due to a related party	12	270	270
End-of-service indemnities		19,854	20,676
Surplus from insurance operation		36,037	36,037
Fair value loss reserve on investments		(523)	(407)
Zakat and income tax	13	22,029	23,708
Accrued commission income payable to SAMA		1,819	1,448
TOTAL LIABILITIES		905,242	1,083,306
SHAREHOLDERS' EQUITY			
Share capital	14	400,000	490,000
Statutory reserve		31,944	31,944
Accumulated losses		(15,536)	(97,512)
Fair value reserve loss on investments		(520)	(3,314)
TOTAL EQUITY		415,888	421,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,321,130	1,504,424
COMMITMENTS AND CONTINGENCIES	9	22,500	22,500

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME – (Unaudited)

For the three month and six-month periods ended 30 June 2018

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>REVENUES</u>				
Gross premiums written				
- Direct	88,762	251,427	192,777	360,378
- Reinsurance	-	6	-	(32)
	88,762	251,433	192,777	360,346
Reinsurance premiums ceded				
- Local	(3,655)	(6,328)	(6,282)	(11,255)
- Foreign	(56,589)	(183,553)	(130,195)	(266,430)
	(60,244)	(189,881)	(136,477)	(277,685)
Excess of loss expenses				
- Local	(68)	(66)	(136)	(132)
- Foreign	(557)	(641)	(1,268)	(1,282)
	(625)	(707)	(1,404)	(1,414)
Net premiums written	27,893	60,845	54,896	81,247
Changes in unearned premiums, net	5,791	(8,614)	10,515	29,351
Net premiums earned	33,684	52,231	65,411	110,598
Reinsurance commissions	17,654	11,923	30,732	32,045
<u>TOTAL REVENUES</u>	51,338	64,154	96,143	142,643
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	44,404	63,706	98,518	177,227
Reinsurers' share of claims paid	(36,985)	(21,098)	(64,600)	(78,345)
Net claims paid	7,419	42,608	33,918	98,882
Changes in outstanding claims, net	(7,099)	(8,743)	(9,678)	(22,136)
Changes in claims incurred but not reported, net	1,853	(37,935)	(7,464)	(76,405)
Net claims incurred	2,173	(4,070)	16,776	341
Premium deficiency reserve	10,076	-	9,216	-
Other technical reserves	(517)	(4,611)	(866)	(4,611)
Policy acquisition costs	3,697	3,749	7,375	9,010
Other underwriting expenses	744	822	1,744	1,773
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	16,173	(4,110)	34,245	6,513
NET UNDERWRITING INCOME	35,165	68,264	61,898	136,130

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

For the three month and six-month periods ended 30 June 2018

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2018 SR'000	2017 SR'000	2018 SR'000	2017 SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
General and administrative expenses		(30,463)	(31,876)	(58,720)	(58,631)
Allowance for doubtful debts		(5,554)	(10,934)	(13,166)	(16,281)
Board remuneration		(272)	(304)	(645)	(579)
Dividend income		-	-	6	-
Amortization of held to maturity investments		47	141	145	235
Commission income on investments		2,878	3,400	5,818	6,377
Dividend and realized (loss) / gain on investments		(546)	406	(1,905)	(1,243)
Other income		1,829	1,262	2,045	2,291
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(32,081)</u>	<u>(37,905)</u>	<u>(66,422)</u>	<u>(67,831)</u>
Net income / (loss) for the period		3,084	30,359	(4,524)	68,299
Net income attributed to the insurance operations		-	(2,929)	-	(6,649)
Net income / (loss) for the period attributable to the shareholders		<u>3,084</u>	<u>27,430</u>	<u>(4,524)</u>	<u>61,650</u>
Earnings / (loss) per share (Expressed in SAR per share)					
Weighted average number of ordinary shares outstanding (in thousands)		<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Basic and diluted earnings / (loss) per share for the period (SR) – restated – 2017	16	<u>0.08</u>	<u>0.69</u>	<u>(0.11)</u>	<u>1.54</u>

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)

For the three month and six-month periods ended 30 June 2018

<i>Notes</i>	Three-month period ended 30 June		Six-month period ended 30 June	
	2018	2017	2018	2017
	SAR '000	SAR '000	SAR '000	SAR '000
Net income / (loss) for the period	3,084	30,359	(4,524)	68,299
Other comprehensive income / (loss)				
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>				
- Available for sale investments:				
- Net change in fair value	303	600	773	1,521
- Net amounts transferred to statement of income	546	(196)	1,905	(196)
Other comprehensive income	-	-	-	-
<u>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</u>	3,933	30,763	(1,846)	69,624
Total comprehensive loss attributed to the insurance operations	(52)	(2,905)	(116)	(6,604)
Total comprehensive income / (loss) for the period attributable to the shareholders	3,985	27,858	(1,730)	63,020





UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASHFLOWS – (Unaudited)
For the six-month period ended 30 June 2018

	2018 SAR '000	2017 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(4,524)	68,299
<i>Adjustments for non-cash items:</i>		
Depreciation of property and equipment	673	793
Allowance for doubtful debts	13,166	16,281
Realized loss / (gain) on investments	1,905	(406)
Amortization of held to maturity investments	(196)	(188)
Provision for end-of-service indemnities	(822)	1,728
	<u>10,202</u>	<u>86,507</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	(11,126)	(102,362)
Reinsurers' share of unearned premiums	62,514	(59,668)
Reinsurers' share of outstanding claims	5,872	16,908
Reinsurers' share of claims Incurred but not reported	44,710	(30,095)
Deferred policy acquisition costs	3,758	(508)
Prepaid expenses and other assets	(3,123)	(4,346)
Accrued commission on statutory deposit	(371)	(89)
Policyholders and accounts payables	(2,614)	(6,488)
Accrued and other liabilities	(34,503)	23,540
Reinsurers' balances payable	2,922	73,803
Unearned premiums	(73,028)	30,316
Unearned reinsurance commission	(9,220)	12,771
Outstanding claims	(15,550)	(39,045)
Claims incurred but not reported	(52,174)	(46,310)
Premium deficiency reserve	9,216	-
Other technical reserves	(867)	(4,611)
Accrued commission on statutory deposit payable to SAMA	371	89
	<u>(63,011)</u>	<u>(49,588)</u>
Zakat and income tax paid	(5,179)	(2,973)
Net cash flows used in operating activities	<u>(68,190)</u>	<u>(52,561)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,000)	(157,063)
Proceeds from sale of investments	101,025	98,362
Proceeds from maturity of short term deposits	-	120,000
Purchase of property and equipment	(474)	(739)
Net cash flows from investing activities	<u>551</u>	<u>60,560</u>
Net change in cash and cash equivalents	<u>(67,639)</u>	<u>7,999</u>
Cash and cash equivalents, beginning of the period	<u>138,796</u>	<u>63,004</u>
Cash and cash equivalents, end of the period	<u>71,157</u>	<u>71,003</u>
NON-CASH INFORMATION		
Change in fair value of available for sale investments	<u>303</u>	<u>1,566</u>





The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AT 30 June 2018

1. GENERAL

United Cooperative Assurance ("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, Khaleidiya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company received the approval letters from the Saudi Arabian Monetary Authority and Ministry of Commerce and Investment regarding the amendment of the Company's by-laws to be in accordance with the new companies' regulations. The Company's extraordinary general assembly was held on 10 August 2017 corresponding to 18 Thul Qedah 1438H and accordingly the new by-laws was approved.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, End-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

2. BASIS OF PREPARATION – (continued)

b. Basis of presentation – (continued)

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 35 to 44 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation 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.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as by the implementing regulations.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2017.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

c. Judgment and estimates

The preparation of interim condensed 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 expense. Actual results may differ from these estimates.

In preparing these interim condensed 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 2017.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

2. BASIS OF PREPARATION – (continued)

d. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2017 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period.

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

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<u>Standard/ Amendments</u>	<u>Description</u>
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	Refer below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2021

IFRS 9 and IFRS 17

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well we finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2021.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

4. CASH AND CASH EQUIVALENTS

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

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
<i>Insurance operations</i>		
Bank balances and cash	<u>70,365</u>	<u>43,953</u>
<i>Shareholders' operations</i>		
Bank balances and cash	<u>792</u>	<u>94,843</u>

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Policyholders	126,902	83,680
Brokers and agents	21,137	42,669
Related parties (note 11)	165,483	170,495
Receivables from reinsurers'	<u>26,914</u>	<u>32,466</u>
	340,436	329,310
Provision for doubtful receivables	<u>(88,855)</u>	<u>(75,689)</u>
Premiums and reinsurers' receivable – net	<u>251,581</u>	<u>253,621</u>

Movement in the allowance for doubtful premiums receivable during the period was as follows:

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Balance at beginning of the period / year	<u>75,689</u>	49,761
Provision made during the period / year	<u>13,166</u>	<u>25,928</u>
Balance at end of the period / year	<u>88,855</u>	<u>75,689</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

6. INVESTMENTS

Investment are classified as follows:

Insurance operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
- Available for sale (note 6.1)	4,146	104,262
- Held to maturity (note 6.3)	156,162	156,060
<i>Total</i>	160,308	260,322

6.1 Available-for-sale investments

Movement in available-for-sale investment balance is as follows:

Insurance' operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	104,262	109,469
Purchases during the period / year	-	85,000
Disposals during the period / year	(100,000)	(90,153)
Changes in fair value of investments	(116)	(54)
<i>Closing balance</i>	4,146	104,262

Insurance' operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Investment in bonds	3,699	3,815
Investment in sukuk	-	100,000
Investment in equity shares	228	229
Investment in mutual funds	219	218
	4,146	104,262

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

6. INVESTMENTS – (continued)

Shareholders' operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
- Available for sale (note 6.2)	136,488	36,624
- Held to maturity (note 6.3)	98,225	98,131
<i>Total</i>	234,713	134,755

6.2 Available-for-sale investments

Movement in available-for-sale investment balance is as follows:

Shareholders' operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	36,624	35,355
Purchases during the period / year	100,000	70,000
Disposals during the period / year	(2,930)	(69,631)
Changes in fair value of investments	2,794	900
<i>Closing balance</i>	136,488	36,624

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Investment in equity shares	309	3,335
Investment in bonds	13,201	13,602
Investment in sukuk	100,000	-
Investment in mutual funds	21,055	19,687
	134,565	36,624

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

6. INVESTMENTS – (continued)

6.3 Held to maturity investments

Movement in held to maturity investment balance is as follows:

Insurance operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	156,060	119,855
Purchases	-	37,405
Disposals	-	(1,393)
Amortization of held to maturity investments	102	193
<i>Closing balance</i>	<u>156,162</u>	<u>156,060</u>

Shareholders' operations	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	98,131	96,198
Purchases	-	2,063
Disposals	-	(318)
Amortization of held to maturity investments	94	188
<i>Closing balance</i>	<u>98,225</u>	<u>98,131</u>

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Outstanding claims	107,377	122,927
Claims incurred but not reported	229,464	281,638
	<u>336,841</u>	404,565
Premium deficiency reserve	12,782	3,566
Other technical reserves	6,058	6,925
	<u>355,681</u>	415,056
Less:		
- Reinsurers' share of outstanding claims	(83,512)	(89,384)
- Reinsurers' share of claims Incurred but not reported	(157,811)	(202,521)
	<u>(241,323)</u>	<u>(291,905)</u>
Net outstanding claims and reserves	<u>114,358</u>	<u>123,151</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six-month ended 30 June 2018		
	(Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	270,374	(204,792)	65,582
Premium written during the period	192,777	(137,881)	54,896
Premium earned during the period	(265,805)	200,395	(65,410)
Balance as at the end of the period	197,346	(142,278)	55,068

	Year ended 31 December 2017		
	(Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	294,762	(184,906)	109,856
Premium written during the year	580,565	(432,272)	148,293
Premium earned during the year	(604,953)	412,386	(192,567)
Balance as at the end of the year	270,374	(204,792)	65,582

8. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SAR 73.5 million in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA and commission accruing on this deposit is payable to SAMA. During the three-month period ended 30 June 2018, the Company has reduced its share capital by SAR 90 million but has not withdrawn the surplus statutory deposit of SAR 13.5 million as of 30 June 2018.

9. COMMITMENTS AND CONTINGENCIES

a. The Company's commitments and contingencies are as follows:

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	SAR'000	
Letters of guarantee issued in favour of GAZT	22,500	22,500
Total	22,500	22,500

b. There were no capital commitments outstanding as at 30 June 2018 (31 December 2017: Nil).

c. As at 30 June 2018, the Company has a letter of guarantee amounting to SR 22.5 million (31 December 2017: SR 22.5 million) in favour of General Authority of Zakat and Tax (GAZT) (see note 12). A margin of SR 22.5 million (31 December 2017: SR 22.5 million) being deposited with a bank for this purpose and is included in prepayments and other assets in the statement of financial position.

10. 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 advantages accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed (consolidated) financial information.

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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, 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 and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

30 June 2018 (Unaudited)

Fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR' 000	SR' 000	SR' 000	SR' 000
Financial assets measured at fair value				
<i>Equity securities</i>				
- Insurance operations	228	219	-	447
- Shareholders' operations	309	21,055	1,923	23,287
Financial assets not measured at fair value				
<i>Debt securities</i>				
Insurance operations				
- Insurance operations	(96,301)	100,000	-	3,699
- Shareholders' operations	113,201	-	-	113,201
	<u>17,437</u>	<u>121,274</u>	<u>1,923</u>	<u>140,634</u>

31 December 2017 (Audited)

Fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR' 000	SR' 000	SR' 000	SR' 000
Financial assets measured at fair value				
<i>Equity securities</i>				
- Insurance operations	229	218	-	447
- Shareholders' operations	1,412	19,687	1,923	23,022
Financial assets not measured at fair value				
<i>Debt securities</i>				
Insurance operations				
- Insurance operations	3,815	100,000	-	103,815
- Shareholders' operations	13,602	-	-	13,602
	<u>19,058</u>	<u>119,905</u>	<u>1,923</u>	<u>140,886</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. 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 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 2017.

Segment assets do not include cash and cash equivalents, term deposits, net premiums and reinsurers' receivable, net, prepayments and other receivables, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. 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.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 June 2018 and 31 December 2017, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

	As at 30 June 2018 (Unaudited) Insurance operations SR' 000							
	Medical	Motor	Energy	Engineering	Others	Total Insurance operations	Shareholders' operations	Total
Assets								
Reinsurers' share of unearned premiums	21,549	29,478	28,418	39,407	23,426	142,278	-	142,278
Reinsurers' share of outstanding claims	15,340	5,472	1,645	9,031	52,024	83,512	-	83,512
Reinsurers' share of claims Incurred but not reported	11,890	25,432	17,304	61,922	41,263	157,811	-	157,811
Deferred policy acquisition costs	1,614	1,773	-	2,261	895	6,543	-	6,543
Unallocated assets						540,184	390,802	930,986
Total assets						<u>930,328</u>	<u>390,802</u>	<u>1,321,130</u>
Liabilities								
Unearned premiums	37,061	60,076	28,916	42,875	28,418	197,346	-	197,346
Unearned reinsurance commission	-	5,722	197	11,126	5,195	22,240	-	22,240
Outstanding claims	16,638	20,670	1,665	9,607	58,797	107,377	-	107,377
Claims incurred but not reported	18,988	82,467	17,630	64,928	45,451	229,464	-	229,464
Premium deficiency reserve	883	2,069	-	5,332	4,498	12,782	-	12,782
Other technical reserves	-	3,402	185	697	1,774	6,058	-	6,058
Unallocated liabilities	-	-	-	-	-	305,044	440,819	745,863
Total liabilities						<u>880,311</u>	<u>440,819</u>	<u>1,321,130</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

	As at 31 December 2017 (Audited) Insurance operations SR' 000							
	Medical	Motor	Energy	Engineering	Others	Total Insurance operations	Shareholders' operations	Total
Assets								
Reinsurers' share of unearned premiums	28,142	41,591	-	119,454	15,605	204,792	-	204,792
Reinsurers' share of outstanding claims	9,494	5,936	6,633	41,468	25,853	89,384	-	89,384
Reinsurers' share of claims Incurred but not reported	2,547	22,929	29,066	99,633	48,346	202,521	-	202,521
Deferred policy acquisition costs	3,040	2,642	-	3,815	804	10,301	-	10,301
Unallocated assets						<u>613,209</u>	<u>384,217</u>	<u>997,426</u>
Total assets						<u><u>1,120,207</u></u>	<u><u>384,217</u></u>	<u><u>1,504,424</u></u>
Liabilities								
Unearned premiums	42,740	85,196	-	122,873	19,565	270,374	-	270,374
Unearned reinsurance commission	-	7,841	-	20,452	3,167	31,460	-	31,460
Outstanding claims	12,507	27,893	6,716	42,489	33,322	122,927	-	122,927
Claims incurred but not reported	6,834	86,622	29,611	104,812	53,759	281,638	-	281,638
Premium deficiency reserve	3,069	-	-	418	79	3,566	-	3,566
Other technical reserves	-	3,604	330	1,261	1,730	6,925	-	6,925
Unallocated liabilities						<u>340,373</u>	<u>447,161</u>	<u>787,534</u>
Total liabilities						<u><u>1,057,263</u></u>	<u><u>447,161</u></u>	<u><u>1,504,424</u></u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the three-month period ended 30 June 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	11,139	37,092	24,647	6,521	9,363	88,762
- Reinsurance	-	-	-	-	-	-
	11,139	37,092	24,647	6,521	9,363	88,762
Reinsurance premiums ceded						
- Local	-	(1,833)	-	(1,075)	(747)	(3,655)
- Foreign	(5,458)	(16,455)	(24,223)	(4,426)	(6,027)	(56,589)
	(5,458)	(18,288)	(24,223)	(5,501)	(6,774)	(60,244)
Excess of loss expenses						
- Local	-	(26)	-	-	(42)	(68)
- Foreign	-	(179)	-	-	(378)	(557)
	-	(205)	-	-	(420)	(625)
Net premiums written	5,681	18,599	424	1,020	2,169	27,893
Changes in unearned premiums, net	2,587	1,649	(178)	995	738	5,791
Net premiums earned	8,268	20,248	246	2,015	2,907	33,684
Reinsurance commissions	-	9,753	97	5,168	2,636	17,654
Other underwriting income	-	-	-	-	-	-
TOTAL REVENUES	8,268	30,001	343	7,183	5,543	51,338
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	20,938	15,889	3,012	2,522	2,043	44,404
Reinsurers' share of claims paid	(17,320)	(12,492)	(2,975)	(2,370)	(1,828)	(36,985)
Net claims paid	3,618	3,397	37	152	215	7,419
Changes in outstanding claims, net	(1,662)	(4,723)	(99)	(420)	(195)	(7,099)
Changes in claims incurred but not reported, net	2,966	584	(91)	(1,043)	(563)	1,853
Net claims incurred	4,922	(742)	(153)	(1,311)	(543)	2,173
Premium deficiency reserve	883	2,069	-	3,068	4,056	10,076
Other technical reserves	-	1	(79)	(326)	(113)	(517)
Policy acquisition costs	958	1,180	-	1,050	509	3,697
Other underwriting expenses	215	192	123	140	74	744
TOTAL UNDERWRITING COSTS AND EXPENSES	6,978	2,700	(109)	2,621	3,983	16,173
NET UNDERWRITING (LOSS) / INCOME	1,290	27,301	452	4,562	1,560	35,165

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the three-month period ended 30 June 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(30,109)
Allowance for doubtful debts						(5,554)
Board remuneration						(272)
Dividend income						-
Amortization of held to maturity investments						47
Commission income on investments						2,878
Dividend and realized gain / (loss) on investments						(546)
Other income						1,829
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(32,081)</u>
<u>NET INCOME FOR THE PERIOD</u>						<u>3,084</u>
Net income for the period attributable to insurance operations						-
Net income for the period attributable to the shareholders'						<u>3,084</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the six-month period ended 30 June 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	36,241	58,181	55,243	(2,131)	45,243	192,777
- Reinsurance	-	-	-	-	-	-
	36,241	58,181	55,243	(2,131)	45,243	192,777
Reinsurance premiums ceded						
- Local	-	(2,979)	-	(1,457)	(1,846)	(6,282)
- Foreign	(19,677)	(25,449)	(54,293)	5,309	(36,085)	(130,195)
	(19,677)	(28,428)	(54,293)	3,852	(37,931)	(136,477)
Excess of loss expenses						
- Local	-	(52)	-	-	(84)	(136)
- Foreign	(154)	(358)	-	-	(756)	(1,268)
	(154)	(410)	-	-	(840)	(1,404)
Net premiums written	16,410	29,343	950	1,721	6,472	54,896
Changes in unearned premiums, net	(913)	13,006	(498)	(49)	(1,031)	10,515
Net premiums earned	15,497	42,349	452	1,672	5,441	65,411
Reinsurance commissions	-	13,768	578	9,419	6,967	30,732
Other underwriting income	-	-	-	-	-	-
TOTAL REVENUES	15,497	56,117	1,030	11,091	12,408	96,143
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	37,124	52,232	3,012	3,286	2,864	98,518
Reinsurers' share of claims paid	(29,365)	(26,804)	(2,975)	(3,000)	(2,456)	(64,600)
Net claims paid	7,759	25,428	37	286	408	33,918
Changes in outstanding claims, net	(1,715)	(6,759)	(63)	(446)	(695)	(9,678)
Changes in claims incurred but not reported, net	2,812	(6,658)	(220)	(2,173)	(1,225)	(7,464)
Net claims incurred	8,856	12,011	(246)	(2,333)	(1,512)	16,776
Premium deficiency reserve	(2,186)	2,069	-	4,914	4,419	9,216
Other technical reserves	-	(203)	(146)	(563)	46	(866)
Policy acquisition costs	1,888	2,472	-	1,759	1,256	7,375
Other underwriting expenses	667	403	276	234	164	1,744
TOTAL UNDERWRITING COSTS AND EXPENSES	9,225	16,752	(116)	4,011	4,373	34,245
NET UNDERWRITING INCOME	6,272	39,365	1,146	7,080	8,035	61,898

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the six-month period ended 30 June 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(58,720)
Allowance for doubtful debts						(13,166)
Board remuneration						(645)
Dividend income						6
Amortization of held to maturity investments						145
Commission income on deposits						5,818
Dividend and realized loss on investments						(1,905)
Other income						2,045
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(66,422)</u>
<u>NET LOSS FOR THE PERIOD</u>						<u>(4,524)</u>
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders'						<u>(4,524)</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the three-month period ended 30 June 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	2,394	91,159	26,322	116,120	15,432	251,427
- Reinsurance	-	-	-	6	-	6
	2,394	91,159	26,322	116,126	15,432	251,433
Reinsurance premiums ceded						
- Local	-	-	-	(4,698)	(1,630)	(6,328)
- Foreign	491	(44,454)	(25,869)	(103,831)	(9,890)	(183,553)
	491	(44,454)	(25,869)	(108,529)	(11,520)	(189,881)
Excess of loss expenses						
- Local	-	(33)	-	-	(33)	(66)
- Foreign	-	(231)	-	-	(410)	(641)
	-	(264)	-	-	(443)	(707)
Net premiums written	2,885	46,441	453	7,597	3,469	60,845
Changes in unearned premiums, net	10,501	(18,941)	(190)	(3,231)	3,247	(8,614)
Net premiums earned	13,386	27,500	263	4,366	6,716	52,231
Reinsurance commissions	-	4,570	731	3,302	3,320	11,923
Other underwriting income	-	-	-	-	-	-
TOTAL REVENUES	13,386	32,070	994	7,668	10,036	64,154
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	17,388	43,059	-	1,567	1,692	63,706
Reinsurers' share of claims paid	(3,271)	(15,431)	-	(1,246)	(1,150)	(21,098)
Net claims paid	14,117	27,628	-	321	542	42,608
Changes in outstanding claims, net	(6,377)	(1,491)	-	(526)	(349)	(8,743)
Changes in claims incurred but not reported, net	2,658	(43,514)	401	1,516	1,004	(37,935)
Net claims incurred	10,398	(17,377)	401	1,311	1,197	(4,070)
Other technical reserves	-	(2,013)	-	(2,598)	-	(4,611)
Policy acquisition costs	630	1,674	-	636	809	3,749
Other underwriting expenses	254	251	132	92	93	822
TOTAL UNDERWRITING COSTS AND EXPENSES	11,282	(17,465)	533	(559)	2,099	(4,110)
NET UNDERWRITING INCOME	2,104	49,535	461	8,227	7,937	68,264

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the three-month period ended 30 June 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(31,615)
Allowance for doubtful debts						(10,934)
Board remuneration						-
Amortization of held to maturity investments						94
Commission income on deposits						2,014
Dividend and realized gain on investments						210
Other income						1,262
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(38,969)</u>
<u>NET INCOME FOR THE PERIOD</u>						<u>29,295</u>
Net income for the period attributable to insurance operations						2,929
Net income for the period attributable to the shareholders'						<u>26,366</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the six-month period ended 30 June 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	21,341	96,813	52,196	134,298	55,730	360,378
- Reinsurance	-	-	-	(32)	-	(32)
	21,341	96,813	52,196	134,266	55,730	360,346
Reinsurance premiums ceded						
- Local	-	-	-	(7,025)	(4,230)	(11,255)
- Foreign	(8,367)	(47,187)	(51,298)	(117,083)	(42,495)	(266,430)
	(8,367)	(47,187)	(51,298)	(124,108)	(46,725)	(277,685)
Excess of loss expenses						
- Local	-	(66)	-	-	(66)	(132)
- Foreign	-	(462)	-	-	(820)	(1,282)
	-	(528)	-	-	(886)	(1,414)
Net premiums written	12,974	49,098	898	10,158	8,119	81,247
Changes in unearned premiums, net	10,800	23,918	(532)	(4,057)	(778)	29,351
Net premiums earned	23,774	73,016	366	6,101	7,341	110,598
Reinsurance commissions	-	17,159	828	7,012	7,046	32,045
Other underwriting income	-	-	-	-	-	-
TOTAL REVENUES	23,774	90,175	1,194	13,113	14,387	142,643
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	28,505	117,071	-	28,048	3,603	177,227
Reinsurers' share of claims paid	(4,567)	(43,912)	-	(27,214)	(2,652)	(78,345)
Net claims paid	23,938	73,159	-	834	951	98,882
Changes in outstanding claims, net	(4,454)	(16,159)	-	(923)	(600)	(22,136)
Changes in claims incurred but not reported, net	(3,929)	(75,410)	401	1,516	1,017	(76,405)
Net claims incurred	15,555	(18,410)	401	1,427	1,368	341
Other technical reserves	-	(2,013)	-	(2,598)	-	(4,611)
Policy acquisition costs	1,278	4,728	-	1,257	1,747	9,010
Other underwriting expenses	512	639	261	163	198	1,773
TOTAL UNDERWRITING COSTS AND EXPENSES	17,345	(15,056)	662	249	3,313	6,513
NET UNDERWRITING INCOME	6,429	105,231	532	12,864	11,074	136,130

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

11. OPERATING SEGMENTS – (continued)

For the six-month period ended 30 June 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(58,136)
Allowance for doubtful debts						(16,281)
Board remuneration						-
Amortization of held to maturity investments						141
Commission income on deposits						3,569
Dividend and realized loss on investments						(1,223)
Other income						2,291
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(69,639)</u>
<u>NET INCOME FOR THE PERIOD</u>						<u>66,491</u>
Net income for the period attributable to insurance operations						6,649
Net income for the period attributable to the shareholders'						<u>59,842</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

12. 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. The following are the details of the major related party transactions during the period and the related balances:

	Nature of transactions	Transactions for the period ended		Balance receivable / (payable) as at	
		30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
SAR'000					
<u>Major shareholders</u>					
Haji Hussien Ali Reza	Premium written	4,040	3,171	-	-
	Payments received and claims paid	(1,376)	(2,718)	14,321	11,657
Saudi Bin Laden – Group	Premium written	18,440	151,021	-	-
	Payments received and claims paid	(28,923)	(61,334)	127,556	138,039
CPC	Premium written	4,007	8,867	-	-
	Payments received and claims paid	(1,430)	(4,422)	23,324	20,747
UCA Lebanon	Payment received	(203)	-	-	203
<u>Associates</u>					
Najm for insurance services		-	-	(270)	(270)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
United Commercial Agencies	Premium written	46	45	-	-
	Payment made on behalf of company	-	58	821	775
UCA Workshop	Premium written	35	-	-	-
	Payments received and claims paid / Payment made	(148)	4,618	-	-
	Claims settled	-	(1,749)	-	-
	Payment made	-	-	484	597
Law Office of Hassan Mahassni	Premium written	447	351	-	-
	Payments received and claims paid	(178)	(179)	280	11
Middle East Group	Premium written	9	82	-	-
	Payments received and claims paid	(49)	(116)	1	41

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

12. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

The compensation of key management personnel during the period is as follows:

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
	SAR'000	
Salaries and other allowances	2,596	2,364
End of service indemnities	94	197
	2,690	2,561
Remuneration to those charged with governance	272	304

13. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	SAR'000	
Balance at the beginning of the period / year	23,708	20,681
Charge for the period / year	3,500	6,000
Paid during the period / year	(5,179)	(2,973)
Balance at the end of the period / year	22,029	23,708

The differences between the financial and the zakatable 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 GAZT could be different from the declarations filed by the Company.

b. Status of zakat assessments

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2017 and obtained restricted zakat certificates until 31 December 2016 and awaiting for zakat response for the year ended 31 December 2017.

GAZT has not yet raised assessments for the years from 2012 to 2016. The Zakat is applicable on 99% of the shareholders while Income Tax on 1% of the shareholders.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

14. SHARE CAPITAL

The authorized and issued share capital of the Company was SR 490,000,000 divided into 49,000,000 ordinary shares of SR 10 each.

The Board of Directors at its meeting on 13 Ramadan 1438H corresponding to 08 June 2017 has recommended to reduce the Company's share capital from SR 490,000,000 to SR 400,000,000 divided into 40,000,000 shares. In an extra-ordinary general meeting held on 23 Ramadan 1439H corresponding to 07 June 2018, the shareholders' of the Company have approved this reduction and the required changes in the Company by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SR 90,000,000. The capital reduction is through reduction of 1 share for every 5.44 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in line with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

As at 30 June 2018, the authorised, subscribed and paid up share capital of the Company is SR 400,000,000, divided into 40,000,000 shares of SR 10 each.

15. 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.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

16. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the period has been calculated by dividing the net income / (loss) for the period by the weighted average number of issued and outstanding shares for the period. The Company have decreased its share capital by offsetting with accumulated losses (note 13), as a result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 40 million shares and accordingly loss per share is restated.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	70,365	792	71,157	43,953	94,843	138,796
Premiums and reinsurers' receivable – net	251,581	-	251,581	253,621	-	253,621
Reinsurers' share of unearned premiums	142,278	-	142,278	204,792	-	204,792
Reinsurers' share of outstanding claims	83,512	-	83,512	89,384	-	89,384
Reinsurers' share of claims Incurred but not reported	157,811	-	157,811	202,521	-	202,521
Deferred policy acquisition costs	6,543	-	6,543	10,301	-	10,301
Investments	160,308	234,713	395,021	260,322	134,755	395,077
Due from insurance operations	-	50,017	50,017	-	62,944	62,944
Prepaid expenses and other assets	55,462	1,578	57,040	52,646	1,271	53,917
Property and equipment	2,468	-	2,468	2,667	-	2,667
Goodwill	-	78,400	78,400	-	78,400	78,400
Statutory deposit	-	73,500	73,500	-	73,500	73,500
Accrued income on statutory deposit	-	1,819	1,819	-	1,448	1,448
	930,328	440,819	1,371,147	1,120,207	447,161	1,567,368
Less: Inter-operations eliminations	-	(50,017)	(50,017)	-	(62,944)	(62,944)
TOTAL ASSETS	930,328	390,802	1,321,130	1,120,207	384,217	1,504,424

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – continued

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
LIABILITIES						
Policyholders claims payable	6,563	-	6,563	9,177	-	9,177
Accrued and other liabilities	62,046	813	62,859	96,745	617	97,362
Reinsurers' balances payable	181,067	-	181,067	178,145	-	178,145
Unearned premiums	197,346	-	197,346	270,374	-	270,374
Unearned reinsurance commission	22,240	-	22,240	31,460	-	31,460
Outstanding claims	107,377	-	107,377	122,927	-	122,927
Claims incurred but not reported	229,464	-	229,464	281,638	-	281,638
Premium deficiency reserve	12,782	-	12,782	3,566	-	3,566
Other technical reserves	6,058	-	6,058	6,925	-	6,925
Due to shareholders' operations	50,017	-	50,017	62,944	-	62,944
Due to a related party	-	270	270	-	270	270
End-of-service indemnities	19,854	-	19,854	20,676	-	20,676
Insurance operations' surplus	36,037	-	36,037	36,037	-	36,037
Fair value loss reserve on investments	(523)	-	(523)	(407)	-	(407)
Zakat and income tax	-	22,029	22,029	-	23,708	23,708
Accrued commission income payable to SAMA	-	1,819	1,819	-	1,448	1,448
	930,328	24,931	955,259	1,120,207	26,043	1,146,250
<u>Less: Inter-operations eliminations</u>	(50,017)	-	(50,017)	(62,944)	-	(62,944)
TOTAL LIABILITIES	880,311	24,931	905,242	1,057,263	26,043	1,083,306
SHAREHOLDERS' EQUITY						
Share capital	-	400,000	400,000	-	490,000	490,000
Statutory reserve	-	31,944	31,944	-	31,944	31,944
Accumulated losses	-	(15,536)	(15,536)	-	(97,512)	(97,512)
Fair value reserve loss on investments	-	(520)	(520)	-	(3,314)	(3,314)
TOTAL EQUITY	-	415,888	415,888	-	421,118	421,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	880,311	440,819	1,321,130	1,057,263	447,161	1,504,424
COMMITMENTS AND CONTINGENCIES			22,500			22,500

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	<i>Three-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
REVENUES						
Gross premiums written						
- Direct	88,762	-	88,762	251,427	-	251,427
- Reinsurance	-	-	-	6	-	6
	88,762	-	88,762	251,433	-	251,433
Reinsurance premiums ceded						
- Local	(3,655)	-	(3,655)	(6,328)	-	(6,328)
- Foreign	(56,589)	-	(56,589)	(183,553)	-	(183,553)
	(60,244)	-	(60,244)	(189,881)	-	(189,881)
Excess of loss expenses						
- Local	(68)	-	(68)	(66)	-	(66)
- Foreign	(557)	-	(557)	(641)	-	(641)
	(625)	-	(625)	(707)	-	(707)
Net premiums written	27,893	-	27,893	60,845	-	60,845
Changes in unearned premiums, net	5,791	-	5,791	(8,614)	-	(8,614)
Net premiums earned	33,684	-	33,684	52,231	-	52,231
Reinsurance commissions	17,654	-	17,654	11,923	-	11,923
TOTAL REVENUES	51,338	-	51,338	64,154	-	64,154
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	44,404	-	44,404	63,706	-	63,706
Reinsurers' share of claims paid	(36,985)	-	(36,985)	(21,098)	-	(21,098)
Net claims	7,419	-	7,419	42,608	-	42,608
Changes in outstanding claims and other technical reserves, net	(7,099)	-	(7,099)	(8,743)	-	(8,743)
Changes in claims incurred but not reported, net	1,853	-	1,853	(37,935)	-	(37,935)
Net claims incurred	2,173	-	2,173	(4,070)	-	(4,070)
Additional premium reserves	10,076	-	10,076	-	-	-
Other technical reserves	(517)	-	(517)	(4,611)	-	(4,611)
Policy acquisition costs	3,697	-	3,697	3,749	-	3,749
Other underwriting expenses	744	-	744	822	-	822
TOTAL UNDERWRITING COSTS AND EXPENSES	16,173	-	16,173	(4,110)	-	(4,110)
NET UNDERWRITING INCOME	35,165	-	35,165	68,264	-	68,264

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – continued

	Three-month period ended 30 June (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(30,109)	(354)	(30,463)	(31,615)	(261)	(31,876)
Allowance for doubtful debts	(5,554)	-	(5,554)	(10,934)	-	(10,934)
Board remuneration	-	(272)	(272)	-	(304)	-
Amortization of held to maturity investments	-	47	47	94	47	141
Commission income on investments	1,187	1,691	2,878	2,014	1,386	3,400
Dividend and realized (loss) / gain on investments	-	(546)	(546)	210	196	406
Other income	1,829	-	1,829	1,262	-	1,262
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	<u>(32,647)</u>	<u>566</u>	<u>(32,081)</u>	<u>(38,969)</u>	<u>1,064</u>	<u>(37,905)</u>
<u>NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS</u>						
	<u>2,518</u>	<u>566</u>	<u>3,084</u>	<u>29,295</u>	<u>1,064</u>	<u>30,359</u>
Shareholders' absorption of deficit / (Surplus) transferred to Shareholders	(2,518)	(566)	(3,084)	(26,366)	(1,064)	(27,430)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT / TRANSFER OF SURPLUS TO SHAREHOLDERS</u>						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,929</u>	<u>-</u>	<u>2,929</u>
<u>Earnings per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)	-		<u>40,000</u>	-		<u>40,000</u>
Basic and diluted earnings per share for the period (SR) – restated – 2017	-		<u>0.08</u>	-		<u>0.69</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim statement of comprehensive income

	Three-month period ended 30 June (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	3,084	3,084	2,929	27,430	30,359
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	(52)	355	303	(24)	624	600
- Net amounts transferred to statement of income	-	546	546	-	(196)	(196)
Others (to be disclosed if necessary)	-	-	-	-	-	-
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>	(52)	3,985	3,933	2,905	27,858	30,763

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
REVENUES						
Gross premiums written						
- Direct	192,777	-	192,777	360,378	-	360,378
- Reinsurance	-	-	-	(32)	-	(32)
	192,777	-	192,777	360,346	-	360,346
Reinsurance premiums ceded						
- Local	(6,282)	-	(6,282)	(11,255)	-	(11,255)
- Foreign	(130,195)	-	(130,195)	(266,430)	-	(266,430)
	(136,477)	-	(136,477)	(277,685)	-	(277,685)
Excess of loss expenses						
- Local	(136)	-	(136)	(132)	-	(132)
- Foreign	(1,268)	-	(1,268)	(1,282)	-	(1,282)
	(1,404)	-	(1,404)	(1,414)	-	(1,414)
Net premiums written	54,896	-	54,896	81,247	-	81,247
Changes in unearned premiums, net	10,515	-	10,515	29,351	-	29,351
Net premiums earned	65,411	-	65,411	110,598	-	110,598
Reinsurance commissions	30,732	-	30,732	32,045	-	32,045
TOTAL REVENUES	96,143	-	96,143	142,643	-	142,643
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	98,518	-	98,518	177,227	-	177,227
Reinsurers' share of claims paid	(64,600)	-	(64,600)	(78,345)	-	(78,345)
Net claims	33,918	-	33,918	98,882	-	98,882
Changes in outstanding claims and other technical reserves, net	(9,678)	-	(9,678)	(22,136)	-	(22,136)
Changes in claims incurred but not reported, net	(7,464)	-	(7,464)	(76,405)	-	(76,405)
Net claims incurred	16,776	-	16,776	341	-	341
Additional premium reserves	9,216	-	9,216	-	-	-
Other technical reserves	(866)	-	(866)	(4,611)	-	(4,611)
Policy acquisition costs	7,375	-	7,375	9,010	-	9,010
Other underwriting expenses	1,744	-	1,744	1,773	-	1,773
TOTAL UNDERWRITING COSTS AND EXPENSES	34,245	-	34,245	6,513	-	6,513
NET UNDERWRITING INCOME	61,898	-	61,898	136,130	-	136,130

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – continued

	Six-month period ended 30 June (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(57,838)	(882)	(58,720)	(58,136)	(495)	(58,631)
Allowance for doubtful debts	(13,166)	-	(13,166)	(16,281)	-	(16,281)
Board remuneration	-	(645)	(645)	-	(579)	(579)
Dividend income	-	6	6	-	-	-
Amortization of held to maturity investments	51	94	145	141	94	235
Commission income on investments	2,326	3,492	5,818	3,569	2,808	6,377
Dividend and realized (loss) / gain on investments	-	(1,905)	(1,905)	(1,223)	(20)	(1,243)
Other income	2,045	-	2,045	2,291	-	2,291
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(66,582)	160	(66,422)	(69,639)	1,808	(67,831)
<u>NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS</u>						
Shareholders' absorption of deficit / (Surplus) transferred to Shareholders	4,684	(160)	4,524	(59,842)	(1,808)	(61,650)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT / TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	-	-	-	6,649	-	6,649
<u>Earnings per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)	-	40,000	40,000	-	40,000	40,000
Basic and diluted earnings per share for the period (SR) – restated – 2017	-	0.11	0.11	-	1.54	1.54

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim statement of comprehensive income

	Six-month period ended 30 June (Unaudited)					2017 Total
	Insurance operations	Share- holders' operations	2018 Total	Insurance operations	Share- holders' operations	
	SAR '000					
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	(4,524)	(4,524)	6,649	61,650	68,299
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	(116)	889	773	(45)	1,566	1,521
- Net amounts transferred to statement of income	-	1,905	1,905	-	(196)	(196)
Others (to be disclosed if necessary)	-	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(116)	(1,730)	(1,846)	6,604	63,020	69,624

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income for the period	-	(4,524)	(4,524)	6,649	61,650	68,299
Adjustments for non-cash items:						
Depreciation of property and equipment	673	-	673	793	-	793
Allowance for doubtful debts	13,166	-	13,166	16,281	-	16,281
Realized loss / (gain) on investments	-	1,905	1,905	(210)	(196)	(406)
Amortization of held to maturity investments	(102)	(94)	(196)	(94)	(94)	(188)
Provision for end-of-service indemnities	(822)	-	(822)	1,728	-	1,728
	<u>12,915</u>	<u>(2,713)</u>	<u>10,202</u>	<u>25,147</u>	<u>61,360</u>	<u>86,507</u>
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(11,126)	-	(11,126)	(102,362)	-	(102,362)
Reinsurers' share of unearned premiums	62,514	-	62,514	(59,668)	-	(59,668)
Reinsurers' share of outstanding claims	5,872	-	5,872	16,908	-	16,908
Reinsurers' share of claims Incurred but not reported	44,710	-	44,710	(30,095)	-	(30,095)
Deferred policy acquisition costs	3,758	-	3,758	(508)	-	(508)
Prepaid expenses and other assets	(2,816)	(307)	(3,123)	(3,599)	(747)	(4,346)
Accrued commission on statutory deposit	-	(371)	(371)	-	(89)	(89)
Policyholders and accounts payables	(2,614)	-	(2,614)	(6,488)	-	(6,488)
Accrued and other liabilities	(34,699)	196	(34,503)	23,536	4	23,540
Reinsurers' balances payable	2,922	-	2,922	73,803	-	73,803
Unearned premiums	(73,028)	-	(73,028)	30,316	-	30,316
Unearned reinsurance commission	(9,220)	-	(9,220)	12,771	-	12,771
Outstanding claims	(15,550)	-	(15,550)	(39,045)	-	(39,045)
Claims incurred but not reported	(52,174)	-	(52,174)	(46,310)	-	(46,310)
Premium deficiency reserve	9,216	-	9,216	-	-	-
Other technical reserves	(867)	-	(867)	(4,611)	-	(4,611)
Accrued commission on statutory deposit payable to SAMA	-	371	371	-	89	89
Due to shareholders operations	(12,927)	-	(12,927)	(22,771)	-	(22,771)
Due from Insurance Operations	-	12,927	12,927	-	22,771	22,771
	<u>(73,114)</u>	<u>10,103</u>	<u>(63,011)</u>	<u>(132,976)</u>	<u>83,388</u>	<u>(49,588)</u>
Zakat and income tax paid	-	(5,179)	(5,179)	-	(2,973)	(2,973)
Net cash flows used in operating activities	<u>(73,114)</u>	<u>4,924</u>	<u>(68,190)</u>	<u>(132,976)</u>	<u>80,415</u>	<u>(52,561)</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 June 2018

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows – continued

	<i>Six-month period ended 30 June (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of long term / fixed income deposits	-	-	-	136,070	(16,070)	120,000
Purchases of investments	-	(100,000)	(100,000)	(85,000)	(72,063)	(157,063)
Proceeds from sale of investments	100,000	1,025	101,025	87,465	10,897	98,362
Purchase of property and equipment	(474)	-	(474)	(739)	-	(739)
Net cash flows from / (used in) investing activities	99,526	(98,975)	551	137,796	(77,236)	60,560
Net change in cash and cash equivalents	26,412	(94,051)	(67,639)	4,820	3,179	7,999
Cash and cash equivalents, beginning of the period	43,953	94,843	138,796	61,736	1,268	63,004
Cash and cash equivalents, end of the period	70,365	792	71,157	66,556	4,447	71,003
NON-CASH INFORMATION						
Change in fair value of available-for-sale investments	(52)	355	303	(24)	1,566	1,542

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform in the current period presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these interim condensed financial statements, previously interim statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.
- The amounts “due to / from” shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 17 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income (refer note 17 (b)).

19. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 24 Dhul Qaedah 1439H, corresponding to 6 August 2018.