

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
For the three-month and nine-month periods ended 30 September 2021

| INDEX | PAGE |
|--|-------------|
| Independent auditor's report on review of condensed interim financial statements | 2 |
| Condensed interim statement of financial position | 3 – 4 |
| Condensed interim statement of income | 5 – 6 |
| Condensed interim statement of comprehensive income | 7 |
| Condensed interim statement of changes in equity | 8 |
| Condensed interim statement of cash flows | 9 – 10 |
| Notes to the condensed interim financial statements | 11 – 55 |



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

Commercial Registration No 4030290792



Crowe

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

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

INDEPENDENT AUDITORS' REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
United Cooperative Assurance Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Cooperative Assurance Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2021, and the related condensed interim statements of income and condensed interim comprehensive income for the three-month and nine-month periods then ended and the condensed interim statements of changes in equity and cash flows for the nine-month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of United Cooperative Assurance Company for the year ended 31 December 2020 and the condensed interim financial statements for the three-month and nine-month period ended 30 September 2020 were audited and reviewed respectively by another auditor who has expressed an unmodified opinion and conclusion thereon vide their reports dated 31 March 2021 and 10 November 2020 respectively.

For KPMG Professional Services



Nasser Ahmed Al Shutairy
License No. 454

Jeddah, Kingdom of Saudi Arabia
Date: 9 November 2021
Corresponding to 4 Rabi Al Thani 1443H



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



Abdullah M. Al Azem
License No. 335



UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

| | | 30 September 2021 (Unaudited) SAR '000 | 31 December 2020 (Audited) SAR'000 |
|---|--------------|---|---|
| | Notes | | |
| ASSETS | | | |
| Cash and cash equivalents | 4.1 | 8,099 | 61,735 |
| Short term deposits | 4.2 | -- | 22,656 |
| Premiums and reinsurers' receivable – net | 5 | 246,372 | 239,606 |
| Reinsurers' share of unearned premiums | 7.2 | 155,057 | 209,598 |
| Reinsurers' share of outstanding claims | 7.1 | 37,268 | 41,720 |
| Reinsurers' share of claims incurred but not reported | 7.1 | 119,370 | 126,264 |
| Deferred policy acquisition costs | | 11,173 | 12,645 |
| Investments | 6 | 257,267 | 288,366 |
| Prepaid expenses and other assets | | 60,474 | 68,487 |
| Property and equipment – net | | 10,404 | 10,346 |
| Intangible assets | | 7,657 | 4,598 |
| Right-of-use assets – net | 8.1 | 5,113 | 7,556 |
| Goodwill | 9 | 78,400 | 78,400 |
| Statutory deposit | 10 | 60,000 | 60,000 |
| Accrued commission income on statutory deposit | 10 | 5,396 | 4,904 |
| TOTAL ASSETS | | 1,062,050 | 1,236,881 |



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 30 September 2021

| | Notes | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|-------|--|---|
| <u>LIABILITIES</u> | | | |
| Policyholders payable | | 26,630 | 5,396 |
| Accrued and other liabilities | | 71,030 | 46,614 |
| Reinsurers balances payable | | 113,459 | 156,440 |
| Unearned premiums | 7.2 | 235,566 | 302,452 |
| Unearned reinsurance commission | | 20,901 | 34,994 |
| Outstanding claims | 7.1 | 73,256 | 62,921 |
| Claims incurred but not reported | 7.1 | 152,201 | 169,749 |
| Premium deficiency reserve | 7.1 | 18,982 | 25,748 |
| Other technical reserves | 7.1 | 17,773 | 13,378 |
| Employees' defined benefit obligations | | 10,049 | 10,288 |
| Lease liabilities | 8.2 | 5,016 | 6,397 |
| Surplus from insurance operation | | 37,053 | 37,053 |
| Zakat and income tax payable | 15 | 12,846 | 21,750 |
| Accrued commission income on statutory deposit payable to SAMA | 10 | 5,396 | 4,904 |
| TOTAL LIABILITIES | | 800,158 | 898,084 |
| Fair value reserve on investments - insurance operations | | (5,532) | 3,734 |
| TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE | | 794,626 | 901,818 |
| <u>EQUITY</u> | | | |
| Share capital | 16 | 400,000 | 400,000 |
| Statutory reserve | 16 | -- | 31,944 |
| Accumulated losses | | (134,037) | (108,025) |
| Fair value reserve on investments | | (663) | 9,020 |
| Re-measurement reserve of employees' defined benefit obligations | | 2,124 | 2,124 |
| TOTAL EQUITY | | 267,424 | 335,063 |
| TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE AND EQUITY | | 1,062,050 | 1,236,881 |
| Commitments and contingencies | 11 | 23,496 | 23,496 |



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 INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2021

| | Notes | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|-------|--|-----------------|---|-----------------|
| | | 2021 SAR'000 | 2020 SAR'000 | 2021 SAR'000 | 2020 SAR'000 |
| <u>REVENUES</u> | | | | | |
| Gross premiums written | 13.1 | 106,939 | 128,750 | 314,201 | 517,907 |
| Reinsurance premiums ceded | | | | | |
| - Local | | (13,405) | (5,303) | (22,235) | (21,989) |
| - Foreign | | (49,666) | (68,602) | (160,984) | (320,843) |
| | | (63,071) | (73,905) | (183,219) | (342,832) |
| Excess of loss expenses | | | | | |
| - Local | | (379) | (171) | (1,137) | (513) |
| - Foreign | | (1,667) | (968) | (5,002) | (2,904) |
| | | (2,046) | (1,139) | (6,139) | (3,417) |
| <i>Net premiums written</i> | | 41,822 | 53,706 | 124,843 | 171,658 |
| Changes in unearned premiums, net | | (831) | (14,031) | 12,345 | (88,580) |
| <i>Net premiums earned</i> | | 40,991 | 39,675 | 137,188 | 83,078 |
| Reinsurance commissions earned | | 10,206 | 10,359 | 34,093 | 27,363 |
| TOTAL REVENUES | | 51,197 | 50,034 | 171,281 | 110,441 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | |
| Gross claims paid | | 67,471 | 45,499 | 223,266 | 82,244 |
| Reinsurers' share of claims paid | | (24,959) | (17,749) | (76,749) | (33,437) |
| <i>Net claims paid</i> | | 42,512 | 27,750 | 146,517 | 48,807 |
| Changes in outstanding claims, net | | 6,337 | (1,890) | 14,788 | (2,179) |
| Changes in claims incurred but not reported, Net | | (6,562) | 4,868 | (10,655) | (2,228) |
| <i>Net claims incurred</i> | | 42,287 | 30,728 | 150,650 | 44,400 |
| Premium deficiency reserve | | (1,344) | 5,221 | (6,766) | 7,768 |
| Other technical reserves | | 1,361 | 1,557 | 4,396 | 2,842 |
| Policy acquisition costs | | 5,931 | 4,294 | 18,057 | 10,165 |
| Other underwriting expenses | | 805 | 741 | 2,521 | 1,944 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | 49,040 | 42,541 | 168,858 | 67,119 |
| NET UNDERWRITING RESULT | | 2,157 | 7,493 | 2,423 | 43,322 |


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 INCOME (Unaudited) – (continued)

For the three-month and nine-month periods ended 30 September 2021

| | Notes | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|-------|--|-----------------|---|-----------------|
| | | 2021 SAR'000 | 2020 SAR'000 | 2021 SAR'000 | 2020 SAR'000 |
| <u>OTHER OPERATING (EXPENSES) / INCOME</u> | | | | | |
| General and administrative expenses | | (18,820) | (23,485) | (64,367) | (64,438) |
| Provision / (reversal) for doubtful receivables | 5 | (3,360) | (895) | 4,198 | (10,382) |
| Board remuneration | 14.2 | (537) | (504) | (1,466) | (979) |
| Commission income on investments | | 2,420 | 2,541 | 7,134 | 7,725 |
| Realized gain on investments | 6 | (296) | -- | (296) | 4,246 |
| Other income | | -- | 1,652 | 418 | 2,803 |
| TOTAL OTHER OPERATING EXPENSES, NET | | (20,593) | (20,691) | (54,379) | (61,025) |
| LOSS FOR THE PERIOD | | (18,436) | (13,198) | (51,956) | (17,703) |
| NET LOSS ATTRIBUTED TO THE INSURANCE OPERATIONS | | -- | -- | -- | -- |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX | | (18,436) | (13,198) | (51,956) | (17,703) |
| Zakat | 15 | (2,000) | (1,900) | (5,800) | (5,700) |
| Income tax | 15 | -- | (100) | (200) | (300) |
| | | (2,000) | (2,000) | (6,000) | (6,000) |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | (20,436) | (15,198) | (57,956) | (23,703) |
| Weighted average number of ordinary shares outstanding (in thousands share) | | 40,000 | 40,000 | 40,000 | 40,000 |
| Basic and diluted loss per share for the period (SAR) | 18 | (0.51) | (0.38) | (1.45) | (0.59) |



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 COMPREHENSIVE INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2021

| <u>Notes</u> | <u>Three-month period ended 30 September</u> | | <u>Nine-month period ended 30 September</u> | |
|--|--|-----------------|---|-----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| | <u>SAR'000</u> | <u>SAR'000</u> | <u>SAR'000</u> | <u>SAR'000</u> |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | (20,436) | (15,198) | (57,956) | (23,703) |
| Other comprehensive 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 | (11,444) | 2,558 | (18,949) | 10,580 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (31,880) | (12,640) | (76,905) | (13,123) |
| TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTED TO THE INSURANCE OPERATIONS | 4,781 | (2,690) | 9,266 | (8,407) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (27,099) | (15,330) | (67,639) | (21,530) |



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 CHANGES IN EQUITY (Unaudited)

For the nine-month period ended 30 September 2021

| | Share capital | Statutory reserve | Accumulated losses | Fair value reserve on investments | Re-measurement reserve of employees' defined benefit obligations | Total equity |
|--|---------------|-------------------|--------------------|-----------------------------------|--|--------------|
| | | | | SAR'000 | | |
| 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> | | | | | | |
| Net loss for the period attributable to the shareholders | -- | -- | (57,956) | -- | -- | (57,956) |
| Net change in fair values of available-for-sale investments | -- | -- | -- | (9,683) | -- | (9,683) |
| Statutory reserve transfer | -- | (31,944) | 31,944 | -- | -- | -- |
| Total comprehensive loss for the period attributable to the shareholders | -- | (31,944) | (26,012) | (9,683) | -- | (67,639) |
| Balance as at 30 September 2021 (unaudited) | 400,000 | -- | (134,037) | (663) | 2,124 | 267,424 |

| | Share capital | Statutory reserve | Accumulated losses | Fair value reserve on investments | Re-measurement reserve of employees' defined benefit obligations | Total equity |
|--|---------------|-------------------|--------------------|-----------------------------------|--|--------------|
| | | | | SAR'000 | | |
| Balance as at 31 December 2019 (audited) | 400,000 | 31,944 | (64,145) | 7,637 | 1,511 | 376,947 |
| <i>Total comprehensive loss for the period</i> | | | | | | |
| Net loss for the period attributable to the shareholders | -- | -- | (23,703) | -- | -- | (23,703) |
| Net change in fair values of available-for-sale investments | -- | -- | -- | 2,173 | -- | 2,173 |
| Total comprehensive loss for the period attributable to the shareholders | -- | -- | (23,703) | 2,173 | -- | (21,530) |
| Balance as at 30 September 2020 (unaudited) | 400,000 | 31,944 | (87,848) | 9,810 | 1,511 | 355,417 |


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 CASH FLOWS (Unaudited)

For the nine-month period ended 30 September 2021

| | Notes | Nine-months period ended 30 September | |
|---|-------|---------------------------------------|-----------------|
| | | 2021 SAR'000 | 2020 SAR'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net loss for the period before zakat and income tax | | (51,956) | (17,703) |
| <i><u>Adjustments for non-cash items:</u></i> | | | |
| Depreciation of property and equipment and intangible assets | | 2,939 | 2,048 |
| Depreciation of right-of-use assets | 8.1 | 2,385 | 1,185 |
| Finance cost on lease liabilities | 8.2 | 162 | 111 |
| (Reversal) / provision for doubtful receivables | 5 | (4,198) | 10,382 |
| Realized loss / (gain) on investments | 6 | 296 | (4,246) |
| Provision for employees' defined benefit obligations | | 1,577 | 1,477 |
| | | (48,795) | (6,746) |
| <i><u>Changes in operating assets and liabilities:</u></i> | | | |
| Premiums and reinsurers' receivable | | (2,568) | (106,309) |
| Reinsurers' share of unearned premiums | | 54,541 | (128,418) |
| Reinsurers' share of outstanding claims | | 4,452 | 9,408 |
| Reinsurers' share of claims incurred but not reported | | 6,894 | (16,331) |
| Deferred policy acquisition costs | | 1,472 | (6,413) |
| Prepaid expenses and other assets | | 8,013 | (12,395) |
| Policyholders payable | | 21,234 | (9,171) |
| Accrued commission income on statutory deposit | | (492) | (1,080) |
| Accrued and other liabilities | | 24,416 | (22,319) |
| Reinsurers balances payable | | (42,981) | 66,298 |
| Unearned premiums | | (66,886) | 216,998 |
| Unearned reinsurance commission | | (14,093) | 12,682 |
| Outstanding claims | | 10,335 | (11,588) |
| Claims incurred but not reported | | (17,548) | 14,104 |
| Premium deficiency reserve | | (6,766) | 7,769 |
| Other technical reserves | | 4,395 | 2,841 |
| Accrued commission income on statutory deposit payable to SAMA | | 492 | 1,080 |
| | | (63,885) | 10,410 |
| Employees' defined benefit obligations paid | | (1,816) | (2,549) |
| Zakat and income tax paid | 15 | (14,904) | (22,634) |
| Net cash used in operating activities | | (80,605) | (14,773) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | 6 | -- | (149,900) |
| Proceeds from sale of Investment | 6 | 11,854 | 61,831 |
| Proceeds from maturity of term deposit | 4.2 | 22,656 | -- |
| Purchase of property and equipment | | (6,056) | (6,676) |
| Net cash generated from / (used in) investing activities | | 28,454 | (94,745) |


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 CASH FLOWS (Unaudited) – (continued)

For the nine-month period ended 30 September 2021

| | <u>Notes</u> | Nine-months period ended 30 | |
|--|--------------|------------------------------------|----------------|
| | | September | |
| | | 2021 | 2020 |
| | | SAR'000 | SAR'000 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Payment of lease liabilities | 8.2 | <u>(1,485)</u> | (1,790) |
| Net cash used in financing activity | | <u>(1,485)</u> | (1,790) |
| Net changes in cash and cash equivalents | | (53,636) | (111,308) |
| Cash and cash equivalents, at the beginning of the period | | <u>61,735</u> | 257,653 |
| Cash and cash equivalents, at the end of the period | | <u>8,099</u> | 146,345 |
| <u>NON-CASH INFORMATION</u> | | | |
| Net change in fair value of available-for-sale investments | | <u>(18,949)</u> | 10,580 |



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)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2021

1. GENERAL

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

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

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

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

| | |
|--------------------------------------|-------------|
| Transfer to shareholders’ operations | 90% |
| Transfer to insurance operations | <u>10%</u> |
| | <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”).

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

2. BASIS OF PREPARATION – (continued)

(b) Basis of presentation and measurement

These condensed interim financial statements have been prepared under going concern basis and historical cost convention except for the measurement at fair value of investments held as available-for-sale (AFS) investment and employees' defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method.

The Company's statement of financial position is not presented using a current/non-current classification, instead, the Company presents its statement of financial position broadly in order of liquidity. 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.

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

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

In preparing the Company-level condensed interim financial statements in compliance with IAS 34, as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances. As of 30 September 2021, the Company's accumulated losses reached 34% of its share capital. During the nine-month period ended 30 September 2021, the Company incurred a total comprehensive loss amounting to SAR 67.9 million and has negative operating cash flows. These conditions require the Company to take certain actions to avoid uncertainties pertaining to its ability to continue as a going concern.

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

2. BASIS OF PREPARATION – (continued)

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

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

On 8 November 2020 corresponding to 22 Rabi Al Awwal 1442H, the Company announced on Tadawul that as on 30 September 2020, the Company's accumulated losses reached 22% of its share capital. As of 30 September 2021, the Company's accumulated losses reached 34% of its share capital (2020: 27%). During the nine-month period 30 September 2021, the Company incurred net loss attributable to shareholders amounting to SAR 57.9 million (30 September 2020: SAR 23.7 million) and has a negative operating cash flow. These conditions raised uncertainty on the Company's ability to continue as a going concern. However, management of the Company has prepared a business plan and is confident of having positive outcome of the strategy and believes that the Company's operations shall continue for foreseeable future under the normal course of business and is satisfied that the going concern basis of preparation of these condensed interim financial statements is appropriate. Accordingly, these condensed interim financial statements have been prepared on the going concern basis.

(c) Functional and presentation currency

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

(d) Fiscal year

The Company follows a fiscal year ending 31 December.

(e) Critical accounting judgments estimates and assumptions

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

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

(f) Seasonality of operations

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these condensed interim financial statements are consistently applied to all the years presented unless stated otherwise. The condensed interim 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 of the Company as at and for the year ended 31 December 2020 (“last annual Financial Statements ”)

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

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

(b) Standards issued but not yet effective

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

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

IFRS 9 - Financial Instruments

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

a) Classification and measurement:

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

IFRS 9 - Financial Instruments – (continued)

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

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

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

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

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

b) Impairment:

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

c) Hedge accounting:

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

Effective date

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

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

Impact assessment

As at 30 September 2021, the Company has total financial assets and insurance related assets amounting to SAR 791.6 million (31 December 2020: SAR 883.82 million) and SAR 569.2 million (31 December 2020: SAR 640.81 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 65.97 million (31 December 2020: SAR 106.89 million). Other financial assets consist of available for sale investments amounting to SAR 257.26 million (31 December 2020: SAR 281.79 million).

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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).

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.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

Effective date

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

Transition

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

Presentation and Disclosures

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

Impact

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

4.1 CASH AND CASH EQUIVALENTS

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

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|--|---|
| <i>Insurance operations</i> | | |
| Bank balances | 6,984 | 51,356 |
| <i>Shareholders' operations</i> | | |
| Bank balances | 1,115 | 10,379 |
| Total | 8,099 | 61,735 |

4.2 SHORT-TERM DEPOSITS

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

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

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|--|---|
| Policyholders | 193,852 | 162,637 |
| Brokers and agents | 5,395 | 3,510 |
| Related parties (note 14.2) | 120,557 | 156,398 |
| Receivables from reinsurers | 12,113 | 6,804 |
| | 331,917 | 329,349 |
| Provision for doubtful receivables | (85,545) | (89,743) |
| Premiums and reinsurers' receivable – net | 246,372 | 239,606 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

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

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

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|--|---|
| Balance at the beginning of the period / year | 89,743 | 83,920 |
| (Reversal) / Provision charge during the period / year | (4,198) | 5,823 |
| Balance at the end of the period / year | 85,545 | 89,743 |

6. INVESTMENTS

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|---------------------------------------|--|---|
| Available-for-sale investments | | |
| Insurance operations (note 6.1) | 93,672 | 115,088 |
| Shareholders' operations (note 6.2) | 163,595 | 173,278 |
| | 257,267 | 288,366 |

6.1 Insurance operations

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|--|---|
| Movement during the period / year is as follows: | | |
| Opening balance | 115,088 | 227 |
| (Disposal) / purchases during the period / year | (11,854) | 111,142 |
| Realized gain on disposal | (296) | -- |
| Changes in fair value of investments | (9,266) | 3,719 |
| Closing balance | 93,672 | 115,088 |
| Investment in sukuk | 93,442 | 114,859 |
| Investment in mutual funds | 230 | 229 |
| | 93,672 | 115,088 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

6. INVESTMENTS - (continued)

6.2 Shareholders' operations

Movement during the period / year is as follows:

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|--|--|---|
| Opening balance | 173,278 | 190,721 |
| Purchases during the period / year | -- | 38,759 |
| Disposals during the period / year | -- | (61,831) |
| Realized gain on investments | -- | 4,246 |
| Changes in fair value of investments | (9,683) | 1,383 |
| Closing balance | 163,595 | 173,278 |
| Investment in equity shares (Note 6.3) | 6,713 | 6,580 |
| Investment in sukuk | 136,586 | 146,149 |
| Investment in mutual funds | 20,296 | 20,549 |
| | 163,595 | 173,278 |

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

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|---|--|---|
| Outstanding claims | 73,256 | 62,921 |
| Claims incurred but not reported | 152,201 | 169,749 |
| | 225,457 | 232,670 |
| Premium deficiency reserve | 18,982 | 25,748 |
| Other technical reserves | 17,773 | 13,378 |
| | 262,212 | 271,796 |
| Less: | | |
| - Reinsurers' share of outstanding claims | (37,268) | (41,720) |
| - Reinsurers' share of claims incurred but not reported | (119,370) | (126,264) |
| | (156,638) | (167,984) |
| Net outstanding claims and reserves | 105,574 | 103,812 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

7. TECHNICAL RESERVES - (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

| Nine-month period ended 30 September 2021 | | | |
|--|----------------|--------------------|---------------|
| (Unaudited) | | | |
| | Gross | Reinsurance | Net |
| | SAR'000 | | |
| Balance as at the beginning of the period | 302,452 | (209,598) | 92,854 |
| Premium written / (ceded) during the period | 314,201 | (189,358) | 124,843 |
| Premium earned during the period | (381,087) | 243,899 | (137,188) |
| Balance as at the end of the period | <u>235,566</u> | <u>(155,057)</u> | <u>80,509</u> |

| Year ended 31 December 2020 | | | |
|---|----------------|--------------------|---------------|
| (Audited) | | | |
| | Gross | Reinsurance | Net |
| | SAR'000 | | |
| Balance as at the beginning of the year | 163,093 | (137,914) | 25,179 |
| Premium written / (ceded) during the year | 616,861 | (416,754) | 200,107 |
| Premium earned during the year | (477,502) | 345,070 | (132,432) |
| Balance as at the end of the year | <u>302,452</u> | <u>(209,598)</u> | <u>92,854</u> |

8. LEASES

8.1 RIGHT-OF-USE ASSETS – NET

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|------------------------------------|--|---|
| Building | | |
| Cost: | | |
| At beginning of the period / year | 9,608 | -- |
| Additions during the period / year | -- | 9,608 |
| Deletion during the period / year | (86) | -- |
| At end of the period / year | <u>9,522</u> | <u>9,608</u> |
| Accumulated depreciation: | | |
| At beginning of the period / year | 2,052 | -- |
| Additions during the period / year | 2,385 | 2,052 |
| Deletions during the period / year | (28) | -- |
| At end of the period / year | <u>4,409</u> | <u>2,052</u> |
| Net book value | <u>5,113</u> | <u>7,556</u> |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

8. LEASES - (continued)

8.2 LEASE LIABILITIES

| | 30 September 2021 (Unaudited) SAR'000 | 31 December 2020 (Audited) SAR'000 |
|------------------------------------|--|---|
| At beginning of the period / year | 6,397 | -- |
| Additions during the period / year | -- | 9,608 |
| Deletions during the period / year | (58) | -- |
| Finance cost | 162 | 187 |
| Payments during period / year | (1,485) | (3,398) |
| At end of the period / year | 5,016 | 6,397 |

9. GOODWILL

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

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

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

10. STATUTORY DEPOSIT

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

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

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

11. COMMITMENTS AND CONTINGENCIES

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

- a. The Company has capital commitments outstanding as at 30 September 2021 amounting to SAR 20.996 million (31 December 2020: SAR 19.67 million) in respect of software development project.
- b. As at 30 September 2021, the Company's bankers have given guarantees to non-government customers amounting to SAR 1.40 million (2020: SAR 1.4 million) in respect of motor insurance and to the ZATCA amounting to SAR 22.1 million (2020: SAR 22.1 million) in respect of a disputed assessment order (also see note 15) which is deposited with a bank and is included in prepaid expenses and other assets.
- c. Note 15 for the status of open zakat and income tax assessments.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Determination of fair value and fair value hierarchy

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

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

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

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

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

30 September 2021 (Unaudited)

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| | <u>SAR' 000</u> | <u>SAR' 000</u> | <u>SAR' 000</u> | <u>SAR' 000</u> |
| Financial assets measured at fair value | | | | |
| <i>Equity securities and mutual funds</i> | | | | |
| - Insurance operations | -- | 93,672 | -- | 93,672 |
| - Shareholders' operations | 4,790 | 20,296 | -- | 25,086 |
| <i>Debt securities</i> | | | | |
| - Insurance operations | -- | -- | -- | -- |
| - Shareholders' operations | -- | 136,586 | -- | 136,586 |
| | <u>4,790</u> | <u>250,554</u> | <u>--</u> | <u>255,344</u> |

31 December 2020 (Audited)

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

Above table does not include available-for-sale investment amounting to SAR 1.9 million (2020: SAR 1.9 million) which is carried at cost as its fair value cannot be measured reliably.

There were no transfers made between Level 1, Level 2 and Level 3 during the period / year.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS

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

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

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

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

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

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | As at 30 September 2021 (Unaudited) SAR'000 | | | | | | | |
|---|---|--------|--------|-------------|--------|----------------------------|--------------------------|-----------|
| | Medical | Motor | Energy | Engineering | Others | Total insurance operations | Shareholders' operations | Total |
| Assets | | | | | | | | |
| Reinsurers' share of unearned Premiums | 429 | 12,171 | 25,999 | 83,010 | 33,448 | 155,057 | -- | 155,057 |
| Reinsurers' share of outstanding claims | 2,458 | 4,718 | -- | 5,608 | 24,484 | 37,268 | -- | 37,268 |
| Reinsurers' share of claims incurred but not reported | 155 | 11,446 | 22,632 | 40,154 | 44,983 | 119,370 | -- | 119,370 |
| Deferred policy acquisition costs | 3,487 | 4,162 | -- | 1,985 | 1,539 | 11,173 | -- | 11,173 |
| Unallocated assets | | | | | | 428,079 | 311,103 | 739,182 |
| Total assets | | | | | | 750,947 | 311,103 | 1,062,050 |
| Liabilities | | | | | | | | |
| Unearned premiums | 45,191 | 40,590 | 26,453 | 84,809 | 38,523 | 235,566 | -- | 235,566 |
| Unearned reinsurance commission | - | 2,983 | -- | 12,811 | 5,107 | 20,901 | -- | 20,901 |
| Outstanding claims | 18,145 | 19,319 | -- | 6,415 | 29,377 | 73,256 | -- | 73,256 |
| Claims incurred but not reported | 3,230 | 33,461 | 23,028 | 41,642 | 50,840 | 152,201 | -- | 152,201 |
| Premium deficiency reserve | 3,875 | 14,057 | 699 | - | 351 | 18,982 | -- | 18,982 |
| Other technical reserves | 2,208 | 12,181 | 576 | 1,121 | 1,687 | 17,773 | -- | 17,773 |
| Unallocated liabilities and insurance operations reserve | | | | | | 255,701 | 20,246 | 275,947 |
| Total liabilities and insurance operations reserve | | | | | | 774,380 | 20,246 | 794,626 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Three-month period ended 30 September 2021 (Unaudited)</i> | | | | | |
|--|---|-----------------|----------------|--------------------|----------------|-----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Energy</i> | <i>Engineering</i> | <i>Others</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| <u>REVENUES</u> | | | | | | |
| Gross premiums written | | | | | | |
| - Individual | - | 4,106 | -- | -- | -- | 4,106 |
| - Micro enterprises | 3,949 | 2,890 | -- | -- | 790 | 7,629 |
| - Small enterprises | 17,226 | 7,630 | -- | 274 | 673 | 25,803 |
| - Medium enterprises | 7,161 | 3,064 | -- | 4,556 | 4,586 | 19,367 |
| - Large enterprises | 807 | 12 | 24,154 | 18,016 | 7,045 | 50,034 |
| | 29,143 | 17,702 | 24,154 | 22,846 | 13,094 | 106,939 |
| Reinsurance premiums ceded | | | | | | |
| - Local | (7) | (1,771) | - | (11,179) | (448) | (13,405) |
| - Foreign | (54) | (3,451) | (23,738) | (11,008) | (11,415) | (49,666) |
| | (61) | (5,222) | (23,738) | (22,187) | (11,863) | (63,071) |
| Excess of loss expenses | | | | | | |
| - Local | (167) | (107) | -- | -- | (105) | (379) |
| - Foreign | (311) | (608) | -- | -- | (748) | (1,667) |
| | (478) | (715) | -- | -- | (853) | (2,046) |
| <i>Net premiums written</i> | <u>28,604</u> | <u>11,765</u> | <u>416</u> | <u>659</u> | <u>378</u> | <u>41,822</u> |
| Changes in unearned premiums, net | <u>(11,292)</u> | <u>9,909</u> | <u>38</u> | <u>240</u> | <u>274</u> | <u>(831)</u> |
| <i>Net premiums earned</i> | <u>17,312</u> | <u>21,674</u> | <u>454</u> | <u>899</u> | <u>652</u> | <u>40,991</u> |
| Reinsurance commissions earned | <u>-</u> | <u>2,321</u> | <u>380</u> | <u>4,634</u> | <u>2,871</u> | <u>10,206</u> |
| TOTAL REVENUES | <u>17,312</u> | <u>23,995</u> | <u>834</u> | <u>5,533</u> | <u>3,523</u> | <u>51,197</u> |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | | |
| Gross claims paid | 13,336 | 45,768 | -- | 132 | 8,235 | 67,471 |
| Reinsurers' share of claims paid | <u>(3,302)</u> | <u>(13,705)</u> | <u>--</u> | <u>(71)</u> | <u>(7,881)</u> | <u>(24,959)</u> |
| <i>Net claims paid</i> | <u>10,034</u> | <u>32,063</u> | <u>--</u> | <u>61</u> | <u>354</u> | <u>42,512</u> |
| Changes in outstanding claims, net | 5,617 | (1,197) | -- | (49) | 1,966 | 6,337 |
| Changes in claims incurred but not reported, net | <u>(194)</u> | <u>(6,085)</u> | <u>23</u> | <u>(251)</u> | <u>(55)</u> | <u>(6,562)</u> |
| <i>Net claims incurred</i> | <u>15,457</u> | <u>24,781</u> | <u>23</u> | <u>(239)</u> | <u>2,265</u> | <u>42,287</u> |
| Premium deficiency reserve | 622 | 647 | (44) | (2,717) | 148 | (1,344) |
| Other technical reserves | 311 | 937 | 33 | 11 | 69 | 1,361 |
| Policy acquisition costs | 1,525 | 3,039 | - | 717 | 650 | 5,931 |
| Other underwriting expenses | 309 | 169 | 121 | 128 | 78 | 805 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | <u>18,224</u> | <u>29,573</u> | <u>133</u> | <u>(2,100)</u> | <u>3,210</u> | <u>49,040</u> |
| NET UNDERWRITING RESULT | <u>(912)</u> | <u>(5,578)</u> | <u>701</u> | <u>7,633</u> | <u>313</u> | <u>2,157</u> |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | Three-month period ended 30 September 2021 (Unaudited) | | | | | |
|---|--|---------|---------|-------------|---------|-----------------|
| | Medical | Motor | Energy | Engineering | Others | Total |
| | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 |
| OTHER OPERATING | | | | | | |
| (EXPENSES) / INCOME | | | | | | |
| General and administrative expenses | | | | | | (18,820) |
| Provision for doubtful receivables | | | | | | (3,360) |
| Board remuneration | | | | | | (537) |
| Commission income on investments | | | | | | |
| Realized gain on investments | | | | | | 2,420 |
| Other Income | | | | | | (296) |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (20,593) |
| LOSS FOR THE PERIOD | | | | | | (18,436) |
| Net income for the period attributable to insurance operations | | | | | | -- |
| Net loss for the period attributable to the shareholders before zakat and income tax | | | | | | (18,436) |
| Zakat | | | | | | (2,000) |
| Income tax | | | | | | - |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | | | | | (20,436) |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | Three-month period ended 30 September 2020 (Unaudited) | | | | | |
|--|--|------------------|-------------------|------------------------|-------------------|------------------|
| | Medical SAR'000 | Motor SAR'000 | Energy SAR'000 | Engineering SAR'000 | Others SAR'000 | Total SAR'000 |
| REVENUES | | | | | | |
| Gross premiums written | | | | | | |
| - Individual | - | 49,548 | -- | -- | 45 | 49,593 |
| - Micro enterprises | 4,180 | 3,007 | -- | 173 | 1,485 | 8,845 |
| - Small enterprises | 7,498 | 6,075 | -- | 821 | 3,755 | 18,149 |
| - Medium enterprises | 5,134 | 1,534 | -- | 581 | 4,336 | 11,585 |
| - Large enterprises | (1) | 16 | 29,202 | 3,556 | 7,805 | 40,578 |
| | 16,811 | 60,180 | 29,202 | 5,131 | 17,426 | 128,750 |
| Reinsurance premiums ceded | | | | | | |
| - Local | (1,420) | (3,009) | -- | (387) | (487) | (5,303) |
| - Foreign | (6,357) | (14,998) | (28,699) | (3,909) | (14,639) | (68,602) |
| | (7,777) | (18,007) | (28,699) | (4,296) | (15,126) | (73,905) |
| Excess of loss expenses | | | | | | |
| - Local | -- | (79) | -- | -- | (92) | (171) |
| - Foreign | -- | (446) | -- | -- | (522) | (968) |
| | -- | (525) | -- | -- | (614) | (1,139) |
| <i>Net premiums written</i> | 9,034 | 41,648 | 503 | 835 | 1,686 | 53,706 |
| Changes in unearned premiums, net | (4,104) | (10,285) | 62 | 468 | (172) | (14,031) |
| <i>Net premiums earned</i> | 4,930 | 31,363 | 565 | 1,303 | 1,514 | 39,675 |
| Reinsurance commissions earned | -- | 2,637 | 459 | 4,072 | 3,191 | 10,359 |
| TOTAL REVENUES | 4,930 | 34,000 | 1,024 | 5,375 | 4,705 | 50,034 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | 4,816 | 35,528 | -- | 2,550 | 2,605 | 45,499 |
| Reinsurers' share of claims paid | (2,480) | (11,054) | -- | (1,956) | (2,259) | (17,749) |
| <i>Net claims paid</i> | 2,336 | 24,474 | -- | 594 | 346 | 27,750 |
| Changes in outstanding claims, net | 1,614 | (2,832) | -- | (387) | (285) | (1,890) |
| Changes in claims incurred but not reported, net | 392 | 4,785 | 2 | (254) | (57) | 4,868 |
| <i>Net claims incurred</i> | 4,342 | 26,427 | 2 | (47) | 4 | 30,728 |
| Premium deficiency reserve | 192 | 4,402 | 23 | -- | 604 | 5,221 |
| Other technical reserves | 105 | 1,550 | -- | (64) | (34) | 1,557 |
| Policy acquisition costs | 544 | 2,278 | -- | 635 | 837 | 4,294 |
| Other underwriting expenses | 177 | 203 | 146 | 118 | 97 | 741 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 5,360 | 34,860 | 171 | 642 | 1,508 | 42,541 |
| NET UNDERWRITING RESULT | (430) | (860) | 853 | 4,733 | 3,197 | 7,493 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Three-month period ended 30 September 2020 (Unaudited)</i> | | | | |
|--|---|-----------------|-----------------|--------------------|-----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Energy</i> | <i>Engineering</i> | <i>Others</i> |
| | <i>SAR '000</i> | <i>SAR '000</i> | <i>SAR '000</i> | <i>SAR '000</i> | <i>SAR '000</i> |
| | | | | | <i>Total</i> |
| | | | | | <i>SAR '000</i> |
| <u>OTHER OPERATING</u> | | | | | |
| <u>(EXPENSES) / INCOME</u> | | | | | |
| General and administrative expenses | | | | | (23,485) |
| Provision for doubtful receivables | | | | | (895) |
| Board remuneration | | | | | (504) |
| Investment Income | | | | | 2,541 |
| Realized gain on investments | | | | | -- |
| Other income | | | | | 1,652 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | (20,691) |
| LOSS FOR THE PERIOD | | | | | (13,198) |
| Net income for the period attributable to insurance operations | | | | | -- |
| Net loss for the period attributable to the shareholders before zakat and income tax | | | | | (13,198) |
| Zakat | | | | | (1,900) |
| Income tax | | | | | (100) |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | | | | (15,198) |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Nine-month period ended 30 September 2021 (Unaudited)</i> | | | | |
|---|--|-----------------|----------------|--------------------|----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Energy</i> | <i>Engineering</i> | <i>Others</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| REVENUES | | | | | |
| Gross premiums written | | | | | |
| - Individual | - | 7,297 | -- | -- | -- |
| - Micro enterprises | 13,616 | 8,968 | -- | 707 | 5,013 |
| - Small enterprises | 37,939 | 19,803 | 829 | 631 | 9,125 |
| - Medium enterprises | 18,916 | 29,447 | -- | 10,102 | 30,748 |
| - Large enterprises | 4,759 | 313 | 72,939 | 21,802 | 21,247 |
| | 75,230 | 65,828 | 73,768 | 33,242 | 66,133 |
| Reinsurance premiums ceded | | | | | |
| - Local | (85) | (6,685) | - | (12,204) | (3,261) |
| - Foreign | (442) | (12,745) | (72,504) | (18,478) | (56,815) |
| | (527) | (19,430) | (72,504) | (30,682) | (60,076) |
| Excess of loss expenses | | | | | |
| - Local | (501) | (321) | -- | -- | (315) |
| - Foreign | (932) | (1,824) | -- | -- | (2,246) |
| | (1,433) | (2,145) | -- | -- | (2,561) |
| Net premiums written | 73,270 | 44,253 | 1,264 | 2,560 | 3,496 |
| Changes in unearned premiums – net | (33,233) | 45,878 | (453) | 483 | (330) |
| Net premiums earned | 40,037 | 90,131 | 811 | 3,043 | 3,166 |
| Reinsurance commissions earned | -- | 9,001 | 1,185 | 14,960 | 8,947 |
| TOTAL REVENUES | 40,037 | 99,132 | 1,996 | 18,003 | 12,113 |
| UNDERWRITING COSTS AND EXPENSES | | | | | |
| Gross claims paid | 38,669 | 169,287 | -- | 1,639 | 13,671 |
| Reinsurers' share of claims paid | (13,735) | (49,872) | -- | (978) | (12,164) |
| Net claims paid | 24,934 | 119,415 | -- | 661 | 1,507 |
| Changes in outstanding claims, net | 11,061 | 1,763 | -- | (131) | 2,095 |
| Changes in claims incurred but not reported – net | 190 | (10,000) | 22 | (699) | (168) |
| Net claims incurred | 36,185 | 111,178 | 22 | (169) | 3,434 |
| Premium deficiency reserve | 1,141 | (8,572) | 698 | -- | (33) |
| Other technical reserves | 384 | 3,938 | 32 | (8) | 50 |
| Policy acquisition costs | 3,877 | 9,480 | -- | 2,388 | 2,312 |
| Other underwriting expenses | 806 | 659 | 369 | 416 | 271 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 42,393 | 116,683 | 1,121 | 2,627 | 6,034 |
| NET UNDERWRITING RESULT | (2,356) | (17,551) | 875 | 15,376 | 6,079 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Nine-month period ended 30 September 2021 (Unaudited)</i> | | | | |
|---|--|----------------|----------------|--------------------|-----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Energy</i> | <i>Engineering</i> | <i>Others</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| <u>OTHER OPERATING</u> | | | | | |
| <u>(EXPENSES) / INCOME</u> | | | | | |
| General and administrative expenses | | | | | (64,367) |
| Provision for doubtful receivables | | | | | 4,198 |
| Board remuneration | | | | | (1,466) |
| Commission income on investments | | | | | 7,134 |
| Realized gain on investment | | | | | (296) |
| Other income | | | | | 418 |
| TOTAL OTHER OPERATING EXPENSES – NET | | | | | (54,379) |
| LOSS FOR THE PERIOD | | | | | (51,956) |
| Net income for the period attributable to insurance operations | | | | | -- |
| Net loss for the period attributable to the shareholders before zakat and income tax | | | | | (51,956) |
| Zakat | | | | | (5,800) |
| Income tax | | | | | (200) |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | | | | (57,956) |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

***13.1 Additional information**

| <i>Nine-month period ended 30 September 2021 (Unaudited)</i> | | | | |
|--|----------------|----------------|---------------------|----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Property and</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>casualty</i> | <i>SAR'000</i> |
| | | | <i>SAR'000</i> | <i>SAR'000</i> |
| REVENUES | | | | |
| Gross premiums written | | | | |
| - Individual | -- | 7,297 | -- | 7,297 |
| - Micro enterprises | 13,616 | 8,968 | 5,720 | 28,304 |
| - Small enterprises | 37,939 | 19,803 | 10,585 | 68,327 |
| - Medium enterprises | 18,916 | 29,447 | 40,850 | 89,213 |
| - Large enterprises | 4,759 | 313 | 115,988 | 121,060 |
| | <u>75,230</u> | <u>65,828</u> | <u>173,143</u> | <u>314,201</u> |

| <i>Three-month period ended 30 September 2021 (Unaudited)</i> | | | | |
|---|----------------|----------------|---------------------|----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Property and</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>casualty</i> | <i>SAR'000</i> |
| | | | <i>SAR'000</i> | <i>SAR'000</i> |
| REVENUES | | | | |
| Gross premiums written | | | | |
| - Individual | -- | 4,106 | -- | 4,106 |
| - Micro enterprises | 3,949 | 2,890 | 790 | 7,629 |
| - Small enterprises | 17,226 | 7,630 | 947 | 25,803 |
| - Medium enterprises | 7,161 | 3,064 | 9,142 | 19,367 |
| - Large enterprises | 807 | 12 | 49,215 | 50,034 |
| | <u>29,143</u> | <u>17,702</u> | <u>60,094</u> | <u>106,939</u> |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Nine-month period ended 30 September 2020 (Unaudited)</i> | | | | | |
|--|--|----------------|----------------|--------------------|----------------|----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Energy</i> | <i>Engineering</i> | <i>Others</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| REVENUES | | | | | | |
| Gross premiums written | | | | | | |
| - Individual | - | 132,831 | -- | -- | 210 | 133,041 |
| - Micro enterprises | 7,768 | 8,609 | -- | 976 | 8,066 | 25,419 |
| - Small enterprises | 17,174 | 24,149 | -- | 5,043 | 12,617 | 58,983 |
| - Medium enterprises | 9,074 | 30,952 | -- | 87,688 | 40,402 | 168,116 |
| - Large enterprises | 167 | 4,418 | 92,337 | 10,025 | 25,401 | 132,348 |
| | 34,183 | 200,959 | 92,337 | 103,732 | 86,696 | 517,907 |
| Reinsurance premiums ceded | | | | | | |
| - Local | (2,877) | (10,048) | -- | (4,951) | (4,113) | (21,989) |
| - Foreign | (12,966) | (50,015) | (90,747) | (94,561) | (72,554) | (320,843) |
| | (15,843) | (60,063) | (90,747) | (99,512) | (76,667) | (342,832) |
| Excess of loss expenses | | | | | | |
| - Local | -- | (237) | -- | -- | (276) | (513) |
| - Foreign | -- | (1,338) | -- | -- | (1,566) | (2,904) |
| | -- | (1,575) | -- | -- | (1,842) | (3,417) |
| <i>Net premiums written</i> | 18,340 | 139,321 | 1,590 | 4,220 | 8,187 | 171,658 |
| Changes in unearned premiums, net | (6,107) | (79,622) | (565) | (670) | (1,616) | (88,580) |
| <i>Net premiums earned</i> | 12,233 | 59,699 | 1,025 | 3,550 | 6,571 | 83,078 |
| Reinsurance commissions earned | -- | 6,683 | 1,317 | 9,765 | 9,598 | 27,363 |
| TOTAL REVENUES | 12,233 | 66,382 | 2,342 | 13,315 | 16,169 | 110,441 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | 15,102 | 58,317 | -- | 2,757 | 6,068 | 82,244 |
| Reinsurers' share of claims paid | (7,820) | (19,063) | -- | (2,137) | (4,417) | (33,437) |
| <i>Net claims paid</i> | 7,282 | 39,254 | -- | 620 | 1,651 | 48,807 |
| Changes in outstanding claims, net | 1,292 | (3,733) | -- | 387 | (125) | (2,179) |
| Changes in claims incurred but not reported, net | (4,550) | 2,304 | 6 | (367) | 379 | (2,228) |
| <i>Net claims incurred</i> | 4,024 | 37,825 | 6 | 640 | 1,905 | 44,400 |
| Premium deficiency reserve | (5,060) | 9,897 | 443 | -- | 2,488 | 7,768 |
| Other technical reserves | (2,381) | 5,258 | -- | 2 | (37) | 2,842 |
| Policy acquisition costs | 1,140 | 5,011 | -- | 1,568 | 2,446 | 10,165 |
| Other underwriting expenses | 466 | 405 | 462 | 294 | 317 | 1,944 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (1,811) | 58,396 | 911 | 2,504 | 7,119 | 67,119 |
| NET UNDERWRITING RESULT | 14,044 | 7,986 | 1,431 | 10,811 | 9,050 | 43,322 |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | Nine-month period ended 30 September 2020 (Unaudited) | | | | | |
|---|---|---------|---------|-------------|---------|----------|
| | Medical | Motor | Energy | Engineering | Others | Total |
| | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 |
| <u>OTHER OPERATING</u> | | | | | | |
| <u>(EXPENSES) / INCOME</u> | | | | | | |
| General and administrative expenses | | | | | | (64,438) |
| Provision for doubtful receivables | | | | | | (10,382) |
| Board remuneration | | | | | | (979) |
| Investment Income | | | | | | 7,725 |
| Realized gain on investments | | | | | | 4,246 |
| Other income | | | | | | 2,803 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (61,025) |
| <u>LOSS FOR THE PERIOD</u> | | | | | | |
| Net income for the period attributable to insurance operations | | | | | | -- |
| Net loss for the period attributable to the shareholders' before zakat and income tax | | | | | | (17,703) |
| Zakat | | | | | | (5,700) |
| Income tax | | | | | | (300) |
| NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | | | | | (23,703) |

*13.1 Additional information

| | <i>Three-month period ended 30 September 2020 (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> |
| <u>REVENUES</u> | | | | | |
| Gross premiums written | | | | | |
| - Individual | -- | 49,548 | 45 | -- | 49,593 |
| - Micro enterprises | 4,180 | 3,007 | 1,658 | -- | 8,845 |
| - Small enterprises | 7,498 | 6,075 | 4,576 | -- | 18,149 |
| - Medium enterprises | 5,134 | 1,534 | 4,917 | -- | 11,585 |
| - Large enterprises | (1) | 16 | 40,563 | -- | 40,578 |
| | <u>16,811</u> | <u>60,180</u> | <u>51,759</u> | <u>--</u> | <u>128,750</u> |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

13. OPERATING SEGMENTS – (continued)

| | <i>Nine-month period ended 30 September 2020 (Unaudited)</i> | | | | |
|------------------------|--|----------------|---------------------|-----------------------|----------------|
| | <i>Medical</i> | <i>Motor</i> | <i>Property and</i> | <i>Protection and</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>casualty</i> | <i>savings</i> | <i>SAR'000</i> |
| | | | <i>SAR'000</i> | <i>SAR'000</i> | |
| REVENUES | | | | | |
| Gross premiums written | | | | | |
| - Individual | -- | 132,831 | 210 | -- | 133,041 |
| - Micro enterprises | 7,768 | 8,609 | 9,042 | -- | 25,419 |
| - Small enterprises | 17,174 | 24,149 | 17,660 | -- | 58,983 |
| - Medium enterprises | 9,074 | 30,952 | 128,090 | -- | 168,116 |
| - Large enterprises | 167 | 4,418 | 127,763 | -- | 132,348 |
| | <u>34,183</u> | <u>200,959</u> | <u>282,765</u> | <u>--</u> | <u>517,907</u> |

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

14.1 TRANSACTIONS WITH RELATED PARTIES

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

| Nature of transactions | | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|-------------------------------|-----------------------------------|--|--------------------|---|--------------------|
| | | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Major shareholders | | | | | |
| Haji Hussien Ali Reza | Premium written | 901 | 1,118 | 4,748 | 5,773 |
| | Payments received and claims paid | (173) | (624) | (5,534) | (3,889) |
| Saudi Bin Laden – Group | Premium written | 5,497 | 13,085 | 25,862 | 119,950 |
| | Payments received and claims paid | (27,315) | (69,922) | (44,432) | (93,594) |
| Construction Product Company | Premium written | 52 | -- | 6,924 | 7,031 |
| | Payments received and claims paid | (17) | (1,676) | (23,251) | (3,863) |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

14.1 TRANSACTIONS WITH RELATED PARTIES – (continued)

| | <u>Nature of transactions</u> | <u>Three-month period ended 30 September</u> | | <u>Nine-month period ended 30 September</u> | |
|---|-------------------------------|--|----------------|---|----------------|
| | | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| <u>Entities controlled, jointly controlled or significantly influenced by related parties</u> | | | | | |
| | Payment made on behalf of | | | | |
| United Commercial Agencies | company | -- | -- | -- | (150) |
| Law Office of Hassan Mahassni | Premium written | -- | 9 | -- | 684 |
| | Payments received and | | | | |
| | claims paid | -- | (153) | (142) | (503) |
| Middle East Group | Premium written | -- | -- | -- | 22 |
| | Payments received and | | | | |
| | claims paid | -- | -- | (16) | (12) |

14.2 RELATED PARTIES BALANCES

| | Balance receivable / (payable) as at | |
|-------------------------------|--------------------------------------|----------------------------------|
| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
| | SAR'000 | |
| Premium receivable | | |
| Haji Hussien Ali Reza | 7,401 | 8,187 |
| Saudi Bin Laden – Group | 108,805 | 127,375 |
| Construction Product Company | 4,296 | 20,623 |
| Law Office of Hassan Mahassni | 55 | 197 |
| Middle East Group | -- | 16 |
| | 120,557 | 156,398 |
| Other balances | | |
| United Commercial Agencies | 697 | 697 |

Other balances are included in prepayments and other assets, policy holders' payables and accrued expenses and other liabilities.

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

14.2 RELATED PARTIES BALANCES – (continued)

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

| | Nine-month period ended 30 September | |
|---|---|--------------------|
| | 2021 | 2020 |
| | SAR'000 | SAR'000 |
| | (Unaudited) | (Unaudited) |
| Salaries and other allowances | 4,348 | 3,901 |
| End of service indemnities | 255 | 160 |
| | 4,603 | 4,061 |
| Remuneration to those charged with governance | 1,466 | 979 |

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

The movement in the zakat payable is as follows:

| | 30 September 2021 | 31 December 2020 |
|---|------------------------------|-----------------------------|
| | (Unaudited) | (Audited) |
| | SAR'000 | |
| Balance at the beginning of the period / year | 20,850 | 28,136 |
| Charge for the current period / year | 5,800 | 7,900 |
| Charge for the prior years | -- | 20,000 |
| Paid during the period / year | (14,904) | (35,186) |
| Balance at the end of the period / year | 11,746 | 20,850 |

The movement in the income tax payable is as follows:

| | 30 September 2021 | 31 December 2020 |
|---|------------------------------|-----------------------------|
| | (Unaudited) | (Audited) |
| | SAR'000 | |
| Balance at the beginning of the period / year | 900 | 800 |
| Charge for the period / year | 200 | 100 |
| Balance at the end of the period / year | 1,100 | 900 |
| Total | 12,846 | 21,750 |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

15. ZAKAT AND INCOME TAX – (continued)

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

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

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

b. Status of zakat assessments

The Zakat is applicable on 99% of the shareholders while income tax on 1% of the shareholders. The Company has filed its zakat and income tax declarations for the years ended 31 December 2009 to 2019 and obtained restricted zakat and tax certificates.

Year 2005, 2006, 2007 and 2008

During 2017, the Company received the zakat assessments for the years 2005 to 2008 from the GAZT 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 GAZT amounting to SAR 22.09 million (2019: 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.

Years 2009 – 2011

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

Years 2012 and 2013

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

Years 2014 to 2018

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

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

15. ZAKAT AND INCOME TAX – (continued)

b. Status of zakat assessments – (continued)

Year 2016 and 2017

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

Year 2019 - 2020

The Company filed the Zakat return for the years 2019 - 2020 and obtained the necessary certificate. The ZATCA issued a initial assessment for the said years claiming an additional Zakat and tax liability of SR 1,546,235 and SAR 2,784. The Company has filed an objection against this initial assessment.

16. SHARE CAPITAL

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

The Company transferred the amount of statutory reserve amounting to SAR 32 million to the accumulated losses as approved by the General assembly meeting dated 18 August 2021.

| | September 2021 <u>SAR'000</u> (Unaudited) | December 2020 <u>SAR'000</u> (Audited) |
|---|--|---|
| Balance at the beginning of the period / year | 31,944 | 31,944 |
| Transfer to Accumulated losses | <u>(31,944)</u> | <u>--</u> |
| Balance at the end of the period / year | <u>--</u> | <u>31,944</u> |

17. CAPITAL MANAGEMENT

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

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

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 condensed interim statement of financial position, condensed interim statement of income, condensed interim statement of comprehensive income and condensed interim statement of cash flows separately for insurance operations and shareholders' operations are as follows:

a) Condensed interim statement of financial position

| | 30 September 2021 | | | 31 December 2020 | | |
|---|-----------------------------|----------------------------------|------------------|-----------------------------|----------------------------------|------------------|
| | (Unaudited) | | | (Audited) | | |
| | Insurance operations | Share-holders' operations | Total | Insurance operations | Share-holders' operations | Total |
| | SAR'000 | | | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | 6,984 | 1,115 | 8,099 | 51,356 | 10,379 | 61,735 |
| Short term deposits | -- | -- | -- | 22,656 | -- | 22,656 |
| Premiums and reinsurers' receivable – net | 246,372 | -- | 246,372 | 239,606 | -- | 239,606 |
| Reinsurers' share of unearned premiums | 155,057 | -- | 155,057 | 209,598 | -- | 209,598 |
| Reinsurers' share of outstanding claims | 37,268 | -- | 37,268 | 41,720 | -- | 41,720 |
| Reinsurers' share of claims incurred but not reported | 119,370 | -- | 119,370 | 126,264 | -- | 126,264 |
| Deferred policy acquisition costs | 11,173 | -- | 11,173 | 12,645 | -- | 12,645 |
| Investments | 93,672 | 163,595 | 257,267 | 115,088 | 173,278 | 288,366 |
| Due to/from insurance operations | 25,556 | -- | 25,556 | - | 32,675 | 32,675 |
| Prepaid expenses and other assets | 57,877 | 2,597 | 60,474 | 67,449 | 1,038 | 68,487 |
| Property and equipment – net | 10,404 | -- | 10,404 | 10,346 | -- | 10,346 |
| Intangible assets | 7,657 | -- | 7,657 | 4,598 | -- | 4,598 |
| Right-of-use asset – net | 5,113 | -- | 5,113 | 7,556 | -- | 7,556 |
| Goodwill | -- | 78,400 | 78,400 | -- | 78,400 | 78,400 |
| Statutory deposit | -- | 60,000 | 60,000 | -- | 60,000 | 60,000 |
| Accrued commission income on statutory deposit | -- | 5,396 | 5,396 | -- | 4,904 | 4,904 |
| | 776,503 | 311,103 | 1,087,606 | 908,882 | 360,674 | 1,269,556 |
| Less: Inter-operations eliminations | (25,556) | -- | (25,556) | -- | (32,675) | (32,675) |
| TOTAL ASSETS | 750,947 | 311,103 | 1,062,050 | 908,882 | 327,999 | 1,236,881 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

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

| | 30 September 2021 (Unaudited) | | | 31 December 2020 (Audited) | | |
|---|----------------------------------|----------------------------------|------------------|-------------------------------|----------------------------------|------------------|
| | Insurance operations | Share- holders' operations | Total | Insurance operations | Share- holders' operations | Total |
| | SAR'000 | | | | | |
| LIABILITIES | | | | | | |
| Policyholders payable | 26,630 | -- | 26,630 | 5,396 | -- | 5,396 |
| Accrued and other liabilities | 69,026 | 2,004 | 71,030 | 45,533 | 1,081 | 46,614 |
| Reinsurers balances payable | 113,459 | -- | 113,459 | 156,440 | -- | 156,440 |
| Unearned premiums | 235,566 | -- | 235,566 | 302,452 | -- | 302,452 |
| Unearned reinsurance commission | 20,901 | -- | 20,901 | 34,994 | -- | 34,994 |
| Outstanding claims | 73,256 | -- | 73,256 | 62,921 | -- | 62,921 |
| Claims incurred but not reported | 152,201 | -- | 152,201 | 169,749 | -- | 169,749 |
| Premium deficiency reserve | 18,982 | -- | 18,982 | 25,748 | -- | 25,748 |
| Other technical reserves | 17,773 | -- | 17,773 | 13,378 | -- | 13,378 |
| Due to/from shareholders' operations | -- | 25,556 | 25,556 | 32,675 | -- | 32,675 |
| Employees' defined benefit obligations | 10,049 | -- | 10,049 | 10,288 | -- | 10,288 |
| Lease liabilities | 5,016 | -- | 5,016 | 6,397 | -- | 6,397 |
| Insurance operations' surplus | 37,053 | -- | 37,053 | 37,053 | -- | 37,053 |
| Zakat and income tax payable | -- | 12,846 | 12,846 | -- | 21,750 | 21,750 |
| Accrued commission income on statutory deposit payable to SAMA | -- | 5,396 | 5,396 | -- | 4,904 | 4,904 |
| | 779,912 | 45,802 | 825,714 | 903,024 | 27,735 | 930,759 |
| <u>Less: Inter-operations eliminations</u> | -- | (25,556) | (25,556) | (32,675) | -- | (32,675) |
| | 779,912 | 20,246 | 800,158 | 870,349 | 27,735 | 898,084 |
| Fair value reserve on investments - insurance operations | (5,532) | -- | (5,532) | 3,734 | -- | 3,734 |
| TOTAL LIABILITIES AND INSURANCE OPERATIONS RESERVE | 774,380 | 20,246 | 794,626 | 874,083 | 27,735 | 901,818 |
| EQUITY | | | | | | |
| Share capital | -- | 400,000 | 400,000 | -- | 400,000 | 400,000 |
| Statutory reserve | -- | -- | -- | -- | 31,944 | 31,944 |
| Accumulated losses | -- | (134,037) | (134,037) | -- | (108,025) | (108,025) |
| Fair value reserve on investments | -- | (663) | (663) | -- | 9,020 | 9,020 |
| Re-measurement reserve of employees' defined benefit obligations | 2,124 | -- | 2,124 | 2,124 | -- | 2,124 |
| TOTAL EQUITY | 2,124 | 265,300 | 267,424 | 2,124 | 332,939 | 335,063 |
| TOTAL LIABILITIES, INSURANCE OPERATIONS RESERVE AND EQUITY | 776,504 | 285,546 | 1,062,050 | 876,207 | 360,674 | 1,236,881 |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

b) Condensed interim statement of income

| | <i>Three-month period ended 30 September (Unaudited)</i> | | | | | |
|--|--|---------------------------|------------|----------------------|---------------------------|------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| REVENUES | | | | | | |
| Gross premiums written | 106,939 | -- | 106,939 | 128,750 | -- | 128,750 |
| Reinsurance premiums ceded | | | | | | |
| - Local | (13,405) | -- | (13,405) | (5,303) | -- | (5,303) |
| - Foreign | (49,666) | -- | (49,666) | (68,602) | -- | (68,602) |
| | (63,071) | -- | (63,071) | (73,905) | -- | (73,905) |
| Excess of loss expenses | | | | | | |
| - Local | (379) | -- | (379) | (171) | -- | (171) |
| - Foreign | (1,667) | -- | (1,667) | (968) | -- | (968) |
| | (2,046) | -- | (2,046) | (1,139) | -- | (1,139) |
| <i>Net premiums written</i> | 41,822 | -- | 41,822 | 53,706 | -- | 53,706 |
| Changes in unearned premiums, net | (831) | -- | (831) | (14,031) | -- | (14,031) |
| <i>Net premiums earned</i> | 40,991 | -- | 40,991 | 39,675 | -- | 39,675 |
| Reinsurance commissions earned | 10,206 | -- | 10,206 | 10,359 | -- | 10,359 |
| TOTAL REVENUES | 51,197 | -- | 51,197 | 50,034 | -- | 50,034 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | 67,471 | -- | 67,471 | 45,499 | -- | 45,499 |
| Reinsurers' share of claims paid | (24,959) | -- | (24,959) | (17,749) | -- | (17,749) |
| <i>Net claims</i> | 42,512 | -- | 42,512 | 27,750 | -- | 27,750 |
| Changes in outstanding claims, net | 6,337 | -- | 6,337 | (1,890) | -- | (1,890) |
| Changes in claims incurred but not reported, net | (6,562) | -- | (6,562) | 4,868 | -- | 4,868 |
| <i>Net claims incurred</i> | 42,287 | -- | 42,287 | 30,728 | -- | 30,728 |
| Premium deficiency reserve | (1,344) | -- | (1,344) | 5,221 | -- | 5,221 |
| Other technical reserves | 1,361 | -- | 1,361 | 1,557 | -- | 1,557 |
| Policy acquisition costs | 5,931 | -- | 5,931 | 4,294 | -- | 4,294 |
| Other underwriting expenses | 805 | -- | 805 | 741 | -- | 741 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 49,040 | -- | 49,040 | 42,541 | -- | 42,541 |
| NET UNDERWRITING RESULT | 2,157 | -- | 2,157 | 7,493 | -- | 7,493 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

b) Condensed interim statement of income – (continued)

| | <i>Three-month period ended 30 September (Unaudited)</i> | | | | | |
|---|--|---------------------------|-----------------|----------------------|---------------------------|-----------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| <u>OTHER OPERATING (EXPENSES) / INCOME</u> | | | | | | |
| General and administrative expenses | (17,883) | (937) | (18,820) | (23,199) | (286) | (23,485) |
| Provision for doubtful receivables | (3,360) | -- | (3,360) | (895) | -- | (895) |
| Board remuneration | -- | (537) | (537) | -- | (504) | (504) |
| Commission income on investments | 1,232 | 1,188 | 2,420 | 1,277 | 1,264 | 2,541 |
| Realized gain on investments | (296) | -- | (296) | -- | -- | -- |
| Other income | -- | -- | -- | 1,652 | -- | 1,652 |
| TOTAL OTHER OPERATING (EXPENSES) / INCOME, NET | (20,307) | (286) | (20,593) | (21,165) | 474 | (20,691) |
| (LOSS) / INCOME FOR THE PERIOD | (18,150) | (286) | (18,436) | (13,672) | 474 | (13,198) |
| SHAREHOLDERS' ABSORPTION OF LOSS / (INCOME) | 18,150 | (18,150) | -- | 13,672 | (13,672) | -- |
| NET LOSS FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX | -- | (18,436) | (18,436) | -- | (13,198) | (13,198) |
| Zakat | -- | (2,000) | (2,000) | -- | (1,900) | (1,900) |
| Income tax | -- | -- | -- | -- | (100) | (100) |
| NET LOSS FOR THE PERIOD | -- | (20,436) | (20,436) | -- | (15,198) | (15,198) |
| <u>Loss per share (Expressed in SAR per share)</u> | | | | | | |
| Weighted average number of ordinary shares outstanding (in thousands) | | 40,000 | | | 40,000 | |
| Basic and diluted loss per share for the period (SAR) | | (0.51) | | | (0.38) | |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

c) Condensed interim statement of comprehensive income

| | <i>Three-month period ended 30 September (Unaudited)</i> | | | | | |
|---|--|---|-----------------------|---------------------------------|---|-----------------------|
| | Insurance operations | Share- holders' operations | 2021 Total | Insurance operations | Share- holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| NET LOSS FOR THE PERIOD | -- | (20,436) | (20,436) | -- | (15,198) | (15,198) |
| Other comprehensive loss | | | | | | |
| <i>Items that are or may be reclassified to condensed interim statement of income in subsequent periods</i> | | | | | | |
| <i>Available-for-sale investments:</i> | | | | | | |
| - Net change in fair value | (4,781) | (6,663) | (11,444) | 2,690 | (132) | 2,558 |
| TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD | <u>(4,781)</u> | <u>(27,099)</u> | <u>(31,880)</u> | <u>2,690</u> | <u>(15,330)</u> | <u>(12,640)</u> |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

d) Condensed interim statement of income

| | <i>Nine-month period ended 30 September (Unaudited)</i> | | | | | |
|--|---|---------------------------|------------|----------------------|---------------------------|------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| REVENUES | | | | | | |
| Gross premiums written | 314,201 | -- | 314,201 | 517,907 | -- | 517,907 |
| Reinsurance premiums ceded | | | | | | |
| - Local | (22,235) | -- | (22,235) | (21,989) | -- | (21,989) |
| - Foreign | (160,984) | -- | (160,984) | (320,843) | -- | (320,843) |
| | (183,219) | -- | (183,219) | (342,832) | -- | (342,832) |
| Excess of loss expenses | | | | | | |
| - Local | (1,137) | -- | (1,137) | (513) | -- | (513) |
| - Foreign | (5,002) | -- | (5,002) | (2,904) | -- | (2,904) |
| | (6,139) | -- | (6,139) | (3,417) | -- | (3,417) |
| <i>Net premiums written</i> | 124,843 | -- | 124,843 | 171,658 | -- | 171,658 |
| Changes in unearned premiums, net | 12,345 | -- | 12,345 | (88,580) | -- | (88,580) |
| <i>Net premiums earned</i> | 137,188 | -- | 137,188 | 83,078 | -- | 83,078 |
| Reinsurance commissions earned | 34,093 | -- | 34,093 | 27,363 | -- | 27,363 |
| TOTAL REVENUES | 171,281 | -- | 171,281 | 110,441 | -- | 110,441 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | 223,266 | -- | 223,266 | 82,244 | -- | 82,244 |
| Reinsurers' share of claims paid | (76,749) | -- | (76,749) | (33,437) | -- | (33,437) |
| <i>Net claims</i> | 146,517 | -- | 146,517 | 48,807 | -- | 48,807 |
| Changes in outstanding claims, net | 14,788 | -- | 14,788 | (2,179) | -- | (2,179) |
| Changes in claims incurred but not reported, net | (10,655) | -- | (10,655) | (2,228) | -- | (2,228) |
| <i>Net claims incurred</i> | 150,650 | -- | 150,650 | 44,400 | -- | 44,400 |
| Premium deficiency reserve | (6,766) | -- | (6,766) | 7,768 | -- | 7,768 |
| Other technical reserves | 4,396 | -- | 4,396 | 2,842 | -- | 2,842 |
| Policy acquisition costs | 18,057 | -- | 18,057 | 10,165 | -- | 10,165 |
| Other underwriting expenses | 2,521 | -- | 2,521 | 1,944 | -- | 1,944 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 168,858 | -- | 168,858 | 67,119 | -- | 67,119 |
| NET UNDERWRITING RESULT | 2,423 | -- | 2,423 | 43,322 | -- | 43,322 |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

d) Condensed interim statement of income- (Continued)

| | <i>Nine-month period ended 30 September (Unaudited)</i> | | | | | |
|---|---|----------------------------------|-------------------|-----------------------------|----------------------------------|-------------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| <u>OTHER OPERATING (EXPENSES) / INCOME</u> | | | | | | |
| General and administrative expenses | (61,300) | (3,067) | (64,367) | (63,187) | (1,251) | (64,438) |
| Provision for doubtful receivables | 4,198 | -- | 4,198 | (10,382) | -- | (10,382) |
| Board remuneration | -- | (1,466) | (1,466) | -- | (979) | (979) |
| Commission income on investments | 3,461 | 3,673 | 7,134 | 3,188 | 4,537 | 7,725 |
| Realized (loss) / gain on investments | (296) | -- | (296) | -- | 4,246 | 4,246 |
| Other income | 418 | -- | 418 | 2,803 | -- | 2,803 |
| TOTAL OTHER OPERATING (EXPENSES) / INCOME, NET | (53,519) | (860) | (54,379) | (67,578) | 6,553 | (61,025) |
| (LOSS) / INCOME FOR THE PERIOD | (51,096) | (860) | (51,956) | (24,256) | 6,553 | (17,703) |
| SHAREHOLDERS' ABSORPTION OF (INCOME) / LOSS | 51,096 | (51,096) | -- | 24,256 | (24,256) | -- |
| NET LOSS FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX | -- | (51,956) | (51,956) | -- | (17,703) | (17,703) |
| Zakat | -- | (5,800) | (5,800) | -- | (5,700) | (5,700) |
| Income tax | -- | (200) | (200) | -- | (300) | (300) |
| | -- | (6,000) | (6,000) | -- | (6,000) | (6,000) |
| NET LOSS FOR THE PERIOD | -- | (57,956) | (57,956) | -- | (23,703) | (23,703) |
| <u>Loss per share (Expressed in SAR per share)</u> | | | | | | |
| Weighted average number of ordinary shares outstanding (in thousands) | | 40,000 | | | 40,000 | |
| Basic and diluted loss per share for the period (SAR / share) | | (1.45) | | | (0.59) | |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)*e) Condensed interim statement of comprehensive income*

| | <i>Nine-month period ended 30 September (Unaudited)</i> | | | | | |
|---|---|---|-----------------------|---------------------------------|---|-----------------------|
| | Insurance operations | Share- holders' operations | 2021 Total | Insurance operations | Share- holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| NET LOSS FOR THE PERIOD | -- | (57,956) | (57,956) | -- | (23,703) | (23,703) |
| Other comprehensive loss | | | | | | |
| <i>Items that are or may be reclassified to condensed interim statement of income in subsequent periods</i> | | | | | | |
| <i>Available-for-sale investments:</i> | | | | | | |
| - Net change in fair value | (9,266) | (9,683) | (18,949) | 8,407 | 2,173 | 10,580 |
| TOTAL COMPREHENSIVE (LOSS) / | (9,266) | (9,683) | (18,949) | 8,407 | (21,530) | (13,123) |
| INCOME FOR THE PERIOD | (9,266) | (67,639) | (76,905) | 8,407 | (21,530) | (13,123) |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

f) Condensed interim statement of cash flows

| | <i>Nine-month period ended 30 September (Unaudited)</i> | | | | | |
|---|---|---------------------------|-----------------|----------------------|---------------------------|-----------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net loss for the period before zakat and income tax | -- | (51,956) | (51,956) | -- | (17,703) | (17,703) |
| Adjustments for non-cash items: | | | | | | |
| Depreciation of property and equipment | 2,939 | -- | 2,939 | 2,048 | -- | 2,048 |
| Depreciation of right-of-use assets | 2,385 | -- | 2,385 | 1,185 | -- | 1,185 |
| Finance cost on Lease Liabilities | 162 | -- | 162 | 111 | -- | 111 |
| (Reversal) / Provision for doubtful receivables | (4,198) | -- | (4,198) | 10,382 | -- | 10,382 |
| Realized gain on investments | 296 | -- | 296 | -- | (4,246) | (4,246) |
| Provision for employees' defined benefit obligations | 1,577 | -- | 1,577 | 1,477 | -- | 1,477 |
| | 3,161 | (51,956) | (48,795) | 15,203 | (21,949) | (6,746) |
| Changes in operating assets and liabilities: | | | | | | |
| Premiums and reinsurers' receivable | (2,568) | -- | (2,568) | (106,309) | -- | (106,309) |
| Reinsurers' share of unearned premiums | 54,541 | -- | 54,541 | (128,418) | -- | (128,418) |
| Reinsurers' share of outstanding claims | 4,452 | -- | 4,452 | 9,408 | -- | 9,408 |
| Reinsurers' share of claims incurred but not reported | 6,894 | -- | 6,894 | (16,331) | -- | (16,331) |
| Deferred policy acquisition costs | 1,472 | -- | 1,472 | (6,413) | -- | (6,413) |
| Prepaid expenses and other assets | 9,572 | (1,559) | 8,013 | (10,943) | (1,452) | (12,395) |
| Accrued commission on statutory deposit | -- | (492) | (492) | - | (1,080) | (1,080) |
| Policyholders and accounts payables | 21,234 | -- | 21,234 | (9,171) | -- | (9,171) |
| Accrued and other liabilities | 23,493 | 923 | 24,416 | (22,152) | (167) | (22,319) |
| Reinsurers balances payable | (42,981) | -- | (42,981) | 66,298 | -- | 66,298 |
| Unearned premiums | (66,886) | -- | (66,886) | 216,998 | -- | 216,998 |
| Unearned reinsurance commission | (14,093) | -- | (14,093) | 12,682 | -- | 12,682 |
| Outstanding claims | 10,335 | -- | 10,335 | (11,588) | -- | (11,588) |
| Claims incurred but not reported | (17,548) | -- | (17,548) | 14,104 | -- | 14,104 |
| Premium deficiency reserve | (6,766) | -- | (6,766) | 7,769 | -- | 7,769 |
| Other technical reserves | 4,395 | -- | 4,395 | 2,841 | -- | 2,841 |
| Accrued commission on statutory deposit payable to SAMA | -- | 492 | 492 | -- | 1,080 | 1,080 |
| Due to shareholders operations | (58,232) | -- | (58,232) | 10,405 | -- | 10,405 |
| Due from Insurance Operations | -- | 58,232 | 58,232 | -- | (10,405) | (10,405) |
| | (69,525) | 5,640 | (63,885) | 44,383 | (33,973) | 10,410 |
| Employees' defined benefit obligations paid | (1,816) | -- | (1,816) | (2,549) | -- | (2,549) |
| Zakat and income tax paid | -- | (14,904) | (14,904) | -- | (22,634) | (22,634) |
| Net cash generated from / (used in) operating activities | (71,341) | (9,264) | (80,605) | 41,834 | (56,607) | (14,773) |

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

19. SUPPLEMENTARY INFORMATION – (continued)

f) Condensed interim statement of cash flows

| | <i>Nine-month period ended 30 September (Unaudited)</i> | | | | | |
|---|---|----------------------------------|-------------------|-----------------------------|----------------------------------|-------------------|
| | Insurance operations | Share-holders' operations | 2021 Total | Insurance operations | Share-holders' operations | 2020 Total |
| | SAR'000 | | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of investments | -- | -- | -- | (111,142) | (38,758) | (149,900) |
| Proceeds from sale of investments | 11,854 | -- | 11,854 | -- | 61,831 | 61,831 |
| Short term deposits | 22,656 | -- | 22,656 | -- | -- | -- |
| Purchase of property and equipment | (6,056) | -- | (6,056) | (6,676) | -- | (6,676) |
| Net cash generated from / (used in) investing activities | 28,454 | -- | 28,454 | (117,818) | 23,073 | (94,745) |
| CASH FLOWS FROM A FINANCING ACTIVITY | | | | | | |
| Payments of lease liabilities | (1,485) | -- | (1,485) | (1,790) | -- | (1,790) |
| Net cash used in financing activity | (1,485) | -- | (1,485) | (1,790) | -- | (1,790) |
| Net changes in cash and cash equivalents | (44,372) | (9,264) | (53,636) | (77,774) | (33,534) | (111,308) |
| Cash and cash equivalents, at the beginning of the period | 51,356 | 10,379 | 61,735 | 216,199 | 41,454 | 257,653 |
| Cash and cash equivalents, at the end of the period | 6,984 | 1,115 | 8,099 | 138,425 | 7,920 | 146,345 |
| NON-CASH INFORMATION | | | | | | |
| Net change in fair value of available-for-sale investments | (9,266) | (9,683) | (18,949) | 8,407 | 2,173 | 10,580 |

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

20. IMPACT OF COVID-19

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

- **Financial assets**

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

- **Credit risk management**

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

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

- **Liquidity Risk**

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

21. SUBSEQUENT EVENT

Subsequent to period ended 30 September 2021, the Company as per the Board's recommendation announced to increase the share capital of the Company through right offering. This matter will be concluded subject to regulatory authority's and Extraordinary General Assembly meeting approval.

UNITED COOPERATIVE ASSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS – (continued)

For the three-month and nine-month periods ended 30 September 2021

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 2 November 2021 corresponding to Rabi Al Awal 27, 1443H