

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements
and Review Report

For the three-month and nine-month periods ended
30 September 2018

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

INDEX	PAGE
Report on Review of Interim Condensed Financial Statements	2
Interim Statement of Financial Position	3 – 4
Interim Statement of Income	5 – 6
Interim Statement of Comprehensive Income	7
Interim Statement of Changes in Shareholders' Equity	8
Interim Statement of Insurance Operations' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 44



REPORT ON REVIEW ON INTERIM CONDENSED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of United Cooperative Assurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2018 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and related interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended and the notes from 1 to 20 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Income Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 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 these interim condensed financial statements 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 as 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 interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and SAMA guidance on accounting for Zakat and Income Tax.

for PKF Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337



for Ahmed Tayseer Ibrahim & Co.
Certified Public Accountants

Ahmed Tayseer Ibrahim
Certified Public Accountant
License No. 213

08 November 2018
30 Safar 1440H
Jeddah, Kingdom of Saudi Arabia



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

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Notes	30 September 2018 (Unaudited)	31 December 2017 (Audited)
SAR '000			
ASSETS			
Cash and cash equivalents	4	121,330	138,796
Short term deposits		22,096	-
Premiums and reinsurers' receivable - net	5	190,486	253,621
Reinsurers' share of unearned premiums	7	142,998	204,792
Reinsurers' share of outstanding claims	7	83,673	89,384
Reinsurers' share of claims Incurred but not reported	7	185,954	202,521
Deferred policy acquisition costs		7,319	10,301
Investments	6	395,000	395,077
Prepaid expenses and other assets		30,383	53,917
Property and equipment		2,177	2,667
Goodwill		78,400	78,400
Statutory deposit	8	73,500	73,500
Accrued income on statutory deposit		2,020	1,448
TOTAL ASSETS		1,335,336	1,504,424

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION – (continued)
AT 30 SEPTEMBER 2018

	Notes	30 September 2018 (Unaudited)	31 December 2017 (Audited)
<u>SAR '000</u>			
<u>LIABILITIES</u>			
Policyholders claims payable		5,169	9,177
Accrued and other liabilities		69,942	97,362
Reinsurers' balances payable		170,000	178,145
Unearned premiums	7	200,501	270,374
Unearned reinsurance commission		25,657	31,460
Outstanding claims	7	109,577	122,927
Claims incurred but not reported	7	253,765	281,638
Premium deficiency reserve		10,143	3,566
Other technical reserves		6,049	6,925
Due to a related party	12	270	270
End-of-service indemnities		20,874	20,676
Surplus from insurance operation		36,037	36,037
Fair value loss reserve on investments		(559)	(407)
Zakat and income tax	13	24,029	23,708
Accrued commission income payable to SAMA		2,020	1,448
<u>TOTAL LIABILITIES</u>		933,474	1,083,306
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	14	400,000	490,000
Statutory reserve		31,944	31,944
Accumulated losses		(29,480)	(97,512)
Fair value reserve loss on investments		(602)	(3,314)
<u>TOTAL EQUITY</u>		401,862	421,118
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>		1,335,336	1,504,424
COMMITMENTS AND CONTINGENCIES	9	22,500	22,500

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME – (Unaudited)

For the three month and nine-month periods ended 30 September 2018

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES				
Gross premiums written				
- Direct	120,925	115,771	313,702	476,149
- Reinsurance	-	518	-	486
	120,925	116,289	313,702	476,635
Reinsurance premiums ceded				
- Local	(3,179)	(1,079)	(9,461)	(12,334)
- Foreign	(84,629)	(75,129)	(214,824)	(341,559)
	(87,808)	(76,208)	(224,285)	(353,893)
Excess of loss expenses				
- Local	(68)	(66)	(204)	(198)
- Foreign	(558)	(1,474)	(1,826)	(2,756)
	(626)	(1,540)	(2,030)	(2,954)
Net premiums written	32,491	38,541	87,387	119,788
Changes in unearned premiums, net	(2,435)	(1,959)	8,080	27,392
Net premiums earned	30,056	36,582	95,467	147,180
Reinsurance commissions	7,491	13,482	38,223	45,527
TOTAL REVENUES	37,547	50,064	133,690	192,707
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	45,059	60,158	143,577	237,385
Reinsurers' share of claims paid	(28,850)	(23,675)	(93,450)	(102,020)
Net claims paid	16,209	36,483	50,127	135,365
Changes in outstanding claims, net	2,040	(535)	(7,638)	(22,671)
Changes in claims incurred but not reported, net	(3,843)	(20,851)	(11,307)	(97,256)
Net claims incurred	14,406	15,097	31,182	15,438
Premium deficiency reserve	(2,638)	627	6,578	627
Other technical reserves	(10)	(574)	(876)	(5,185)
Policy acquisition costs	3,010	4,132	10,385	13,142
Other underwriting expenses	771	818	2,515	2,591
TOTAL UNDERWRITING COSTS AND EXPENSES	15,539	20,100	49,784	26,613
NET UNDERWRITING INCOME	22,008	29,964	83,906	166,094

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

For the three month and nine-month periods ended 30 September 2018

	<i>Notes</i>	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
General and administrative expenses		(29,359)	(32,415)	(88,079)	(91,046)
Allowance for doubtful debts		(7,756)	(3,768)	(20,922)	(20,049)
Board remuneration		(225)	(274)	(870)	(853)
Dividend income		-	-	6	-
Amortization of held to maturity investments		98	47	294	282
Commission income on investments		2,862	1,394	8,629	7,771
Dividend and realized (loss) / gain on investments		-	-	(1,905)	(1,243)
Other income		428	2,545	2,473	4,836
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(33,952)</u>	<u>(32,471)</u>	<u>(100,374)</u>	<u>(100,302)</u>
Net income / (loss) for the period		(11,944)	(2,507)	(16,468)	65,792
Net income attributed to the insurance operations		-	341	-	(6,308)
Net income / (loss) for the period attributable to the shareholders		<u>(11,944)</u>	<u>(2,166)</u>	<u>(16,468)</u>	<u>59,484</u>
(Loss) / earnings per share (Expressed in SAR per share)					
Weighted average number of ordinary shares outstanding (in thousands)		<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Basic and diluted (loss) / earnings per share for the period (SR) – restated – 2017	16	<u>(0.30)</u>	<u>(0.05)</u>	<u>(0.41)</u>	<u>1.49</u>

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
For the three month and nine-month periods ended 30 September 2018

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
	SAR '000	SAR '000	SAR '000	SAR '000
Net (loss) / income for the period	(11,944)	(2,507)	(16,468)	65,792
Other comprehensive (loss) / income				
<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	(118)	(220)	(704)	1,301
- Net amounts transferred to statement of income	-	-	3,264	(196)
Other comprehensive income	-	-	-	-
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>	(12,062)	(2,727)	(13,908)	66,897
Total comprehensive loss attributed to the insurance operations	36	350	152	(6,254)
Total comprehensive (loss) / income for the period attributable to the shareholders	(12,026)	(2,377)	(13,756)	60,643

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

7

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (Unaudited)
For the nine-month period ended 30 September 2018

<u>2018</u>	Note	Share capital	Statutory reserve	Accumulated losses	Fair value reserve loss on investments	Total Equity
				SAR '000		
Balance as at 31 December 2017 (audited)		490,000	31,944	(97,512)	(3,314)	421,118
<i>Total comprehensive income / (loss) for the period</i>						
Changes in fair values of available for sale investments		-	-	-	(552)	(552)
Transfers to statement of income		-	-	-	3,264	3,264
Net loss for the period – attributable to shareholders'		-	-	(16,468)	-	(16,468)
Total comprehensive loss for the period attributable to shareholders'		-	-	(16,468)	2,712	(13,756)
Capital reduction	14	(90,000)	-	90,000	-	-
Zakat and income tax charge for the period		-	-	(5,500)	-	(5,500)
Balance as at 30 September 2018 (unaudited)		400,000	31,944	(29,480)	(602)	401,862
					Fair value reserve loss on investments	
		Share capital	Statutory reserve	Accumulated losses		Total Equity
				SAR '000		
Balance as at 31 December 2016 (audited)		490,000	31,944	(128,120)	(4,214)	389,610
<i>Total comprehensive for the period</i>						
Changes in fair values of available for sale investments		-	-	-	1,551	1,551
Net gain on sale of available-for-sale-investments		-	-	-	(196)	(196)
Net Income for the period – attributable to shareholders'		-	-	59,484	-	59,484
Total comprehensive loss for the period attributable to shareholders'		-	-	59,484	1,355	60,839
Zakat and income tax charge for the period		-	-	(4,500)	-	(4,500)
Balance as at 30 September 2017 (unaudited)		490,000	31,944	(73,136)	(2,859)	445,949

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	2018	2017
	SAR '000	SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(16,468)	65,792
<i>Adjustments for non-cash items:</i>		
Depreciation of property and equipment	1,009	1,169
Allowance for doubtful debts	20,922	20,049
Realized loss / (gain) on investments	1,905	(406)
Amortization of held to maturity investments	(294)	(283)
Provision for end-of-service indemnities	198	3,381
	<u>7,272</u>	<u>89,702</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	42,213	(73,797)
Reinsurers' share of unearned premiums	61,794	(31,955)
Reinsurers' share of outstanding claims	5,711	14,959
Reinsurers' share of claims Incurred but not reported	16,567	(16,434)
Deferred policy acquisition costs	2,982	193
Prepaid expenses and other assets	23,534	(3,226)
Accrued commission on statutory deposit	(572)	(371)
Accrued and other liabilities	(27,419)	25,701
Premium deficiency reserve	6,577	(1,970)
Other technical reserves	(876)	(2,588)
Reinsurers' balances payable	(8,145)	64,445
Unearned premiums	(69,873)	4,563
Unearned reinsurance commission	(5,803)	9,672
Outstanding claims	(13,350)	(37,628)
Claims incurred but not reported	(27,873)	(80,823)
Accrued commission on statutory deposit payable to SAMA	572	371
	<u>9,303</u>	<u>(41,892)</u>
Zakat and income tax paid	(5,179)	(2,973)
Net cash flows from / (used in) operating activities	<u>4,124</u>	<u>(44,865)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(157,063)
Proceeds from sale of investments	1,025	96,652
Time deposits	(22,096)	120,000
Proceeds from maturity of short term deposits	-	1,710
Purchase of property and equipment	(519)	(919)
Net cash flows (used in) / from investing activities	<u>(21,590)</u>	<u>60,380</u>
Net change in cash and cash equivalents	<u>(17,466)</u>	<u>15,515</u>
Cash and cash equivalents, beginning of the period	<u>138,796</u>	<u>63,004</u>
Cash and cash equivalents, end of the period	<u>121,330</u>	<u>78,519</u>
NON-CASH INFORMATION		
Change in fair value of available for sale investments	<u>(704)</u>	<u>1,301</u>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AT 30 September 2018

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

a. Basis of presentation

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

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

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

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

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

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

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

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

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

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

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

b. Judgment and estimates

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2017.

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

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

2. BASIS OF PREPARATION – (continued)

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

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

IFRS 9 and IFRS 17

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

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

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

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

4. CASH AND CASH EQUIVALENTS

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

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
<i>Insurance operations</i>		
Bank balances and cash	120,591	43,953
<i>Shareholders' operations</i>		
Bank balances and cash	739	94,843

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Policyholders	92,581	83,680
Brokers and agents	20,602	42,669
Related parties (note 12)	161,360	170,495
Receivables from reinsurers'	12,554	32,466
	287,097	329,310
Provision for doubtful receivables	(96,611)	(75,689)
Premiums and reinsurers' receivable – net	190,486	253,621

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

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Balance at beginning of the period / year	75,689	49,761
Provision made during the period / year	20,922	25,928
Balance at end of the period / year	96,611	75,689

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

6. INVESTMENTS

Investment are classified as follows:

Insurance operations	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
- Available for sale (note 6.1)	4,110	104,262
- Held to maturity (note 6.3)	156,213	156,060
<i>Total</i>	160,323	260,322

6.1 Available-for-sale investments

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

Insurance' operations	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	104,262	109,469
Purchases during the period / year	-	85,000
Disposals during the period / year	-	(90,153)
Transfer to shareholders' operations	(100,000)	-
Changes in fair value of investments	(152)	(54)
<i>Closing balance</i>	4,110	104,262

Insurance' operations	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Investment in bonds	3,692	3,815
Investment in sukuk	-	100,000
Investment in equity shares	197	229
Investment in mutual funds	221	218
	4,110	104,262

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

6. INVESTMENTS – (continued)

Shareholders' operations	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
- Available for sale (note 6.2)	136,405	36,624
- Held to maturity (note 6.3)	98,272	98,131
<i>Total</i>	234,677	134,755

6.2 Available-for-sale investments

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

Shareholders' operations	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	36,624	35,355
Purchases during the period / year	-	70,000
Transfer from insurance operations	100,000	-
Disposals during the period / year	(2,931)	(69,631)
Changes in fair value of investments	2,712	900
<i>Closing balance</i>	136,405	36,624

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Investment in equity shares	294	3,335
Investment in bonds	13,246	13,602
Investment in sukuk	100,000	-
Investment in mutual funds	20,942	19,687
	134,482	36,624

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

6. INVESTMENTS – (continued)

6.3 Held to maturity investments

Movement in held to maturity investment balance is as follows:

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Insurance operations		
Opening balance	156,060	119,855
Purchases	-	37,405
Disposals	-	(1,393)
Amortization of held to maturity investments	153	193
<i>Closing balance</i>	<u>156,213</u>	<u>156,060</u>
Shareholders' operations		
Opening balance	98,131	96,198
Purchases	-	2,063
Disposals	-	(318)
Amortization of held to maturity investments	141	188
<i>Closing balance</i>	<u>98,272</u>	<u>98,131</u>

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Outstanding claims	109,577	122,927
Claims incurred but not reported	253,765	281,638
	<u>363,342</u>	<u>404,565</u>
Premium deficiency reserve	10,143	3,566
Other technical reserves	6,049	6,925
	<u>379,534</u>	<u>415,056</u>
Less:		
- Reinsurers' share of outstanding claims	(83,673)	(89,384)
- Reinsurers' share of claims Incurred but not reported	(185,954)	(202,521)
	<u>(269,627)</u>	<u>(291,905)</u>
Net outstanding claims and reserves	<u>109,907</u>	<u>123,151</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine-month ended 30 September 2018		
	(Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	270,374	(204,792)	65,582
Premium written during the period	313,702	(226,315)	87,387
Premium earned during the period	(383,575)	288,109	(95,466)
Balance as at the end of the period	200,501	(142,998)	57,503

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

8. STATUTORY DEPOSIT

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

9. COMMITMENTS AND CONTINGENCIES

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

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

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

c. As at 30 September 2018, the Company has a letter of guarantee amounting to SR 22.5 million (31 December 2017: SR 22.5 million) in favour of General Authority of Zakat and Tax (GAZT) (see note 13). A margin of SR 22.5 million (31 December 2017: SR 22.5 million) being deposited with a bank for this purpose and is included in prepayments and other assets in the statement of financial position.

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

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

30 September 2018 (Unaudited)

Fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR' 000	SR' 000	SR' 000	SR' 000
Financial assets measured at fair value				
<i>Equity securities</i>				
- Insurance operations	197	221	-	418
- Shareholders' operations	294	20,942	1,923	23,159
Financial assets not measured at fair value				
<i>Debt securities</i>				
Insurance operations				
- Insurance operations	3,692	-	-	3,692
- Shareholders' operations	13,246	100,000	-	113,246
	<u>17,429</u>	<u>121,163</u>	<u>1,923</u>	<u>140,515</u>

31 December 2017 (Audited)

Fair value

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2017.

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

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

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

	As at 30 September 2018 (Unaudited)							
	Insurance operations							
	SR' 000							
	Medical	Motor	Energy	Engineering	Others	Total Insurance operations	Shareholders' operations	Total
Assets								
Reinsurers' share of unearned premiums	13,192	32,885	26,320	54,172	16,429	142,998	-	142,998
Reinsurers' share of outstanding claims	15,015	6,402	1,645	10,793	49,818	83,673	-	83,673
Reinsurers' share of claims Incurred but not reported	33,474	26,752	19,936	63,694	42,098	185,954	-	185,954
Deferred policy acquisition costs	1,449	2,207	-	2,962	701	7,319	-	7,319
Unallocated assets						522,906	392,486	915,392
Total assets						<u>942,850</u>	<u>392,486</u>	<u>1,335,336</u>
Liabilities								
Unearned premiums	28,445	66,468	26,781	58,254	20,553	200,501	-	200,501
Unearned reinsurance commission	-	6,408	-	15,269	3,980	25,657	-	25,657
Outstanding claims	18,617	22,671	1,665	11,306	55,318	109,577	-	109,577
Claims incurred but not reported	39,370	80,803	20,308	66,852	46,432	253,765	-	253,765
Premium deficiency reserve	729	4,348	95	1,638	3,333	10,143	-	10,143
Other technical reserves	-	3,345	211	725	1,768	6,049	-	6,049
Unallocated liabilities						300,494	429,150	729,644
Total liabilities						<u>906,186</u>	<u>429,150</u>	<u>1,335,336</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

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

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

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

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	16,283	37,551	24,647	36,061	6,383	120,925
- Reinsurance	-	-	-	-	-	-
	16,283	37,551	24,647	36,061	6,383	120,925
Reinsurance premiums ceded						
- Local	-	(1,872)	-	(1,061)	(246)	(3,179)
- Foreign	(6,567)	(16,758)	(24,223)	(32,654)	(4,427)	(84,629)
	(6,567)	(18,630)	(24,223)	(33,715)	(4,673)	(87,808)
Excess of loss expenses						
- Local	-	(26)	-	-	(42)	(68)
- Foreign	-	(179)	-	-	(379)	(558)
	-	(205)	-	-	(421)	(626)
Net premiums written	9,716	18,716	424	2,346	1,289	32,491
Changes in unearned premiums, net	258	(2,985)	37	(613)	868	(2,435)
Net premiums earned	9,974	15,731	461	1,733	2,157	30,056
Reinsurance commissions	-	3,003	584	1,697	2,207	7,491
TOTAL REVENUES	9,974	18,734	1,045	3,430	4,364	37,547
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	20,603	20,842	-	227	3,387	45,059
Reinsurers' share of claims paid	(16,415)	(10,216)	-	(159)	(2,060)	(28,850)
Net claims paid	4,188	10,626	-	68	1,327	16,209
Changes in outstanding claims, net	2,304	1,069	-	(62)	(1,271)	2,040
Changes in claims incurred but not reported, net	(1,203)	(2,984)	46	152	146	(3,843)
Net claims incurred	5,289	8,711	46	158	202	14,406
Premium deficiency reserve	(154)	2,279	95	(3,694)	(1,164)	(2,638)
Other technical reserves	-	(57)	27	28	(8)	(10)
Policy acquisition costs	1,269	1,019	-	329	393	3,010
Other underwriting expenses	388	150	123	48	62	771
TOTAL UNDERWRITING COSTS AND EXPENSES	6,792	12,102	291	(3,131)	(515)	15,539
NET UNDERWRITING INCOME	3,182	6,632	754	6,561	4,879	22,008

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

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

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(29,359)
Allowance for doubtful debts						(7,756)
Board remuneration						(225)
Dividend income						-
Amortization of held to maturity investments						98
Commission income on investments						2,862
Dividend and realized gain / (loss) on investments						-
Other income						428
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(33,952)</u>
<u>NET (LOSS) FOR THE PERIOD</u>						<u>(11,944)</u>
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders'						<u>(11,944)</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

For the nine-month period ended 30 September 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	52,524	95,732	79,890	33,930	51,626	313,702
- Reinsurance	-	-	-	-	-	-
	52,524	95,732	79,890	33,930	51,626	313,702
Reinsurance premiums ceded						
- Local	-	(4,851)	-	(2,518)	(2,092)	(9,461)
- Foreign	(26,244)	(42,207)	(78,516)	(27,345)	(40,512)	(214,824)
	(26,244)	(47,058)	(78,516)	(29,863)	(42,604)	(224,285)
Excess of loss expenses						
- Local	-	(78)	-	-	(126)	(204)
- Foreign	(154)	(537)	-	-	(1,135)	(1,826)
	(154)	(615)	-	-	(1,261)	(2,030)
Net premiums written	26,126	48,059	1,374	4,067	7,761	87,387
Changes in unearned premiums, net	(655)	10,021	(461)	(662)	(163)	8,080
Net premiums earned	25,471	58,080	913	3,405	7,598	95,467
Reinsurance commissions	-	16,771	1,162	11,116	9,174	38,223
TOTAL REVENUES	25,471	74,851	2,075	14,521	16,772	133,690
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	57,727	73,074	3,012	3,513	6,251	143,577
Reinsurers' share of claims paid	(45,780)	(37,020)	(2,975)	(3,159)	(4,516)	(93,450)
Net claims paid	11,947	36,054	37	354	1,735	50,127
Changes in outstanding claims, net	589	(5,690)	(63)	(508)	(1,966)	(7,638)
Changes in claims incurred but not reported, net	1,609	(9,642)	(174)	(2,021)	(1,079)	(11,307)
Net claims incurred	14,145	20,722	(200)	(2,175)	(1,310)	31,182
Premium deficiency reserve	(2,340)	4,348	95	1,220	3,255	6,578
Other technical reserves	-	(260)	(119)	(535)	38	(876)
Policy acquisition costs	3,157	3,491	-	2,088	1,649	10,385
Other underwriting expenses	1,055	553	399	282	226	2,515
TOTAL UNDERWRITING COSTS AND EXPENSES	16,017	28,854	175	880	3,858	49,784
NET UNDERWRITING INCOME	9,454	45,997	1,900	13,641	12,914	83,906

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

For the nine-month period ended 30 September 2018 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(88,079)
Allowance for doubtful debts						(20,922)
Board remuneration						(870)
Dividend income						6
Amortization of held to maturity investments						294
Commission income on deposits						8,629
Dividend and realized loss on investments						(1,905)
Other income						2,473
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(100,374)</u>
<u>NET LOSS FOR THE PERIOD</u>						<u>(16,468)</u>
Net income for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders'						<u>(16,468)</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

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

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	9,042	61,595	26,322	6,030	12,782	115,771
- Reinsurance	-	-	-	193	325	518
	9,042	61,595	26,322	6,223	13,107	116,289
Reinsurance premiums ceded						
- Local	-	-	-	(703)	(376)	(1,079)
- Foreign	(4,590)	(29,646)	(25,869)	(4,748)	(10,276)	(75,129)
	(4,590)	(29,646)	(25,869)	(5,451)	(10,652)	(76,208)
Excess of loss expenses						
- Local	-	(33)	-	-	(33)	(66)
- Foreign	-	(1,065)	-	-	(409)	(1,474)
	-	(1,098)	-	-	(442)	(1,540)
Net premiums written	4,452	30,851	453	772	2,013	38,541
Changes in unearned premiums, net	287	(4,709)	18	1,831	614	(1,959)
Net premiums earned	4,739	26,142	471	2,603	2,627	36,582
Reinsurance commissions	-	4,791	414	4,578	3,699	13,482
TOTAL REVENUES	4,739	30,933	855	7,181	6,326	50,064
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	12,435	42,173	-	2,275	3,275	60,158
Reinsurers' share of claims paid	(3,578)	(15,306)	-	(2,061)	(2,730)	(23,675)
Net claims paid	8,857	26,867	-	214	545	36,483
Changes in outstanding claims, net	(477)	488	9	(250)	(305)	(535)
Changes in claims incurred but not reported, net	(3,257)	(18,096)	89	(66)	479	(20,851)
Net claims incurred	5,123	9,259	98	(102)	719	15,097
Premium deficiency reserves	952	-	-	(325)	-	627
Other technical reserves	-	(574)	-	-	-	(574)
Policy acquisition costs	682	1,645	-	856	949	4,132
Other underwriting expenses	202	258	132	124	102	818
TOTAL UNDERWRITING COSTS AND EXPENSES	6,959	10,588	230	553	1,770	20,100
NET UNDERWRITING (LOSS) / INCOME	(2,220)	20,345	655	6,628	4,556	29,964

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

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

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(32,415)
Allowance for doubtful debts						(3,768)
Board remuneration						(274)
Amortization of held to maturity investments						47
Commission income on deposits						1,394
Dividend and realized gain on investments						-
Other income						2,545
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(32,471)</u>
						<u>(2,507)</u>
<u>NET (LOSS) / INCOME FOR THE PERIOD</u>						
Net loss for the period attributable to insurance operations						341
Net loss for the period attributable to the shareholders'						<u>(2,166)</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

11. OPERATING SEGMENTS – (continued)

For the nine-month period ended 30 September 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES						
Gross premiums written						
- Direct	30,383	158,408	78,518	140,328	68,512	476,149
- Reinsurance	-	-	-	161	325	486
	30,383	158,408	78,518	140,489	68,837	476,635
Reinsurance premiums ceded						
- Local	-	-	-	(7,728)	(4,606)	(12,334)
- Foreign	(12,957)	(76,833)	(77,167)	(121,831)	(52,771)	(341,559)
	(12,957)	(76,833)	(77,167)	(129,559)	(57,377)	(353,893)
Excess of loss expenses						
- Local	-	(99)	-	-	(99)	(198)
- Foreign	-	(1,527)	-	-	(1,229)	(2,756)
	-	(1,626)	-	-	(1,328)	(2,954)
Net premiums written	17,426	79,949	1,351	10,930	10,132	119,788
Changes in unearned premiums, net	11,087	19,209	(514)	(2,226)	(164)	27,392
Net premiums earned	28,513	99,158	837	8,704	9,968	147,180
Reinsurance commissions	-	21,950	1,242	11,590	10,745	45,527
TOTAL REVENUES	28,513	121,108	2,079	20,294	20,713	192,707
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	40,940	159,244	-	30,323	6,878	237,385
Reinsurers' share of claims paid	(8,145)	(59,218)	-	(29,275)	(5,382)	(102,020)
Net claims paid	32,795	100,026	-	1,048	1,496	135,365
Changes in outstanding claims, net	(4,931)	(15,671)	9	(1,173)	(905)	(22,671)
Changes in claims incurred but not reported, net	(7,186)	(93,506)	490	1,450	1,496	(97,256)
Net claims incurred	20,678	(9,151)	499	1,325	2,087	15,438
Premium deficiency reserves	952	-	-	(325)	-	627
Other technical reserves	-	(2,587)	-	(2,598)	-	(5,185)
Policy acquisition costs	1,960	6,373	-	2,113	2,696	13,142
Other underwriting expenses	714	897	393	287	300	2,591
TOTAL UNDERWRITING COSTS AND EXPENSES	24,304	(4,468)	892	802	5,083	26,613
NET UNDERWRITING INCOME	4,209	125,576	1,187	19,492	15,630	166,094

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

For the nine-month period ended 30 September 2017 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Energy</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(91,046)
Allowance for doubtful debts						(20,049)
Board remuneration						(853)
Amortization of held to maturity investments						282
Commission income on deposits						7,771
Dividend and realized loss on investments						(1,243)
Other income						4,836
<u>TOTAL OTHER OPERATING EXPENSES</u>						<u>(100,302)</u>
<u>NET INCOME FOR THE PERIOD</u>						<u>65,792</u>
Net income for the period attributable to insurance operations						(6,308)
Net income for the period attributable to the shareholders'						<u>59,484</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transactions	Transactions for the period ended		Balance receivable / (payable) as at	
		30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	30 September 2018 (Unaudited)	31 December 2017 (Audited)
SAR'000					
Major shareholders					
Haji Hussien Ali Reza	Premium written	4,711	3,662	-	-
	Payments received and claims paid	(2,521)	(3,842)	13,847	11,657
Saudi Bin Laden – Group	Premium written	55,638	155,613	-	-
	Payments received and claims paid	(68,261)	(69,765)	125,416	138,039
CPC	Premium written	4,201	9,180	-	-
	Payments received and claims paid	(2,993)	(9,173)	21,955	20,747
UCA Lebanon	Payment received	(203)	-	-	203
Associates					
Najm for insurance services		-	-	(270)	(270)
Entities controlled, jointly controlled or significantly influenced by related parties					
United Commercial Agencies	Premium written	45	44	-	-
	Payment made on behalf of company	-	58	821	775
UCA Workshop	Premium written	36	-	-	-
	Payments received and claims paid / Payment made	(5,500)	4,302	-	-
	Claims settled	-	(1,862)	-	-
	Payment made	-	-	83	597
Law Office of Hassan Mahassni	Premium written	456	352	-	-
	Payments received and claims paid	(328)	(247)	139	11
Middle East Group	Premium written	9	98	-	-
	Payments received and claims paid	(47)	(158)	3	41

The above balances are included in premiums receivables, net, prepayments and other assets, payable to policyholders' and accrued expenses and other liabilities.

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

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

12. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

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

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
	SAR'000	
Salaries and other allowances	4,012	3,546
End of service indemnities	226	297
	4,238	3,843
Remuneration to those charged with governance	870	853

13. ZAKAT AND INCOME TAX

a. Charge for the period / year

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in the Zakat payable is as follows:

Movements in provision during the period / year

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
	SAR'000	
Balance at the beginning of the period / year	23,708	20,681
Charge for the period / year	5,500	6,000
Paid during the period / year	(5,179)	(2,973)
Balance at the end of the period / year	24,029	23,708

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

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

b. Status of zakat assessments

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

During 2017, the Company received the zakat assessments for the years 2005 to 2008 from the General Authority of Zakat and Income Tax (GAZT) with regards to the portfolio transferred from the old company claiming zakat liability amounting to SR 6.01 million and with-holding tax liability amounting to SR 16.09 million. The management believes that the existing provision for zakat and with-holding tax is sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling. However, during the year, the Company has issued a bank guarantee in favour of GAZT amounting to SR 22.5 million (note 9).

GAZT has not yet raised assessments for the years from 2012 to 2017. The Zakat is applicable on 99% of the shareholders while Income Tax on 1% of the shareholders.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

14. SHARE CAPITAL

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

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

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

15. CAPITAL MANAGEMENT

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

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

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

16. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per share for the period has been calculated by dividing the net (loss) / income for the period by the weighted average number of issued and outstanding shares for the period. The Company have decreased its share capital by offsetting with accumulated losses (note 14), as a result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 40 million shares and accordingly loss per share is restated.

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	120,591	739	121,330	43,953	94,843	138,796
Short term deposits	22,096	-	22,096	-	-	-
Premiums and reinsurers' receivable – net	190,486	-	190,486	253,621	-	253,621
Reinsurers' share of unearned premiums	142,998	-	142,998	204,792	-	204,792
Reinsurers' share of outstanding claims	83,673	-	83,673	89,384	-	89,384
Reinsurers' share of claims Incurred but not reported	185,954	-	185,954	202,521	-	202,521
Deferred policy acquisition costs	7,319	-	7,319	10,301	-	10,301
Investments	160,323	234,677	395,000	260,322	134,755	395,077
Due from insurance operations	-	36,664	36,664	-	62,944	62,944
Prepaid expenses and other assets	27,233	3,150	30,383	52,646	1,271	53,917
Property and equipment	2,177	-	2,177	2,667	-	2,667
Goodwill	-	78,400	78,400	-	78,400	78,400
Statutory deposit	-	73,500	73,500	-	73,500	73,500
Accrued income on statutory deposit	-	2,020	2,020	-	1,448	1,448
	942,850	429,150	1,372,000	1,120,207	447,161	1,567,368
Less: Inter-operations eliminations	-	(36,664)	(36,664)	-	(62,944)	(62,944)
TOTAL ASSETS	942,850	392,486	1,335,336	1,120,207	384,217	1,504,424

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – continued

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
LIABILITIES						
Policyholders claims payable	5,169	-	5,169	9,177	-	9,177
Accrued and other liabilities	68,973	969	69,942	96,745	617	97,362
Reinsurers' balances payable	170,000	-	170,000	178,145	-	178,145
Unearned premiums	200,501	-	200,501	270,374	-	270,374
Unearned reinsurance commission	25,657	-	25,657	31,460	-	31,460
Outstanding claims	109,577	-	109,577	122,927	-	122,927
Claims incurred but not reported	253,765	-	253,765	281,638	-	281,638
Premium deficiency reserve	10,143	-	10,143	3,566	-	3,566
Other technical reserves	6,049	-	6,049	6,925	-	6,925
Due to shareholders' operations	36,664	-	36,664	62,944	-	62,944
Due to a related party	-	270	270	-	270	270
End-of-service indemnities	20,874	-	20,874	20,676	-	20,676
Insurance operations' surplus	36,037	-	36,037	36,037	-	36,037
Fair value loss reserve on investments	(559)	-	(559)	(407)	-	(407)
Zakat and income tax	-	24,029	24,029	-	23,708	23,708
Accrued commission income payable to SAMA	-	2,020	2,020	-	1,448	1,448
	<u>942,850</u>	<u>27,288</u>	<u>970,138</u>	<u>1,120,207</u>	<u>26,043</u>	<u>1,146,250</u>
<u>Less: Inter-operations eliminations</u>	<u>(36,664)</u>	<u>-</u>	<u>(36,664)</u>	<u>(62,944)</u>	<u>-</u>	<u>(62,944)</u>
<u>TOTAL LIABILITIES</u>	<u>906,186</u>	<u>27,288</u>	<u>933,474</u>	<u>1,057,263</u>	<u>26,043</u>	<u>1,083,306</u>
SHAREHOLDERS' EQUITY						
Share capital	-	400,000	400,000	-	490,000	490,000
Statutory reserve	-	31,944	31,944	-	31,944	31,944
Accumulated losses	-	(29,480)	(29,480)	-	(97,512)	(97,512)
Fair value reserve loss on investments	-	(602)	(602)	-	(3,314)	(3,314)
<u>TOTAL EQUITY</u>	<u>-</u>	<u>401,862</u>	<u>401,862</u>	<u>-</u>	<u>421,118</u>	<u>421,118</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>906,186</u>	<u>429,150</u>	<u>1,335,336</u>	<u>1,057,263</u>	<u>447,161</u>	<u>1,504,424</u>
COMMITMENTS AND CONTINGENCIES			<u>22,500</u>			<u>22,500</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	<i>Three-month period ended 30 September (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
REVENUES						
Gross premiums written						
- Direct	120,925	-	120,925	115,771	-	115,771
- Reinsurance	-	-	-	518	-	518
	120,925	-	120,925	116,289	-	116,289
Reinsurance premiums ceded						
- Local	(3,179)	-	(3,179)	(1,079)	-	(1,079)
- Foreign	(84,629)	-	(84,629)	(75,129)	-	(75,129)
	(87,808)	-	(87,808)	(76,208)	-	(76,208)
Excess of loss expenses						
- Local	(68)	-	(68)	(66)	-	(66)
- Foreign	(558)	-	(558)	(1,474)	-	(1,474)
	(626)	-	(626)	(1,540)	-	(1,540)
Net premiums written	32,491	-	32,491	38,541	-	38,541
Changes in unearned premiums, net	(2,435)	-	(2,435)	(1,959)	-	(1,959)
Net premiums earned	30,056	-	30,056	36,582	-	36,582
Reinsurance commissions	7,491	-	7,491	13,482	-	13,482
TOTAL REVENUES	37,547	-	37,547	50,064	-	50,064
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	45,059	-	45,059	60,158	-	60,158
Reinsurers' share of claims paid	(28,850)	-	(28,850)	(23,675)	-	(23,675)
Net claims	16,209	-	16,209	36,483	-	36,483
Changes in outstanding claims and other technical reserves, net	2,040	-	2,040	(535)	-	(535)
Changes in claims incurred but not reported, net	(3,843)	-	(3,843)	(20,851)	-	(20,851)
Net claims incurred	14,406	-	14,406	15,097	-	15,097
Premium deficiency reserves	(2,638)	-	(2,638)	627	-	627
Other technical reserves	(10)	-	(10)	(574)	-	(574)
Policy acquisition costs	3,010	-	3,010	4,132	-	4,132
Other underwriting expenses	771	-	771	818	-	818
TOTAL UNDERWRITING COSTS AND EXPENSES	15,539	-	15,539	20,100	-	20,100
NET UNDERWRITING INCOME	22,008	-	22,008	29,964	-	29,964

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – continued

	Three-month period ended 30 September (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(28,741)	(618)	(29,359)	(32,151)	(264)	(32,415)
Allowance for doubtful debts	(7,756)	-	(7,756)	(3,768)	-	(3,768)
Board remuneration	-	(225)	(225)	-	(274)	(274)
Amortization of held to maturity investments	51	47	98	-	47	47
Commission income on investments	1,142	1,720	2,862	-	1,394	1,394
Dividend and realized (loss) / gain on investments	-	-	-	-	-	-
Other income	428	-	428	2,545	-	2,545
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(34,876)	924	(33,952)	(33,374)	903	(32,471)
<u>NET (LOSS) / INCOME FOR THE PERIOD</u>	(12,868)	924	(11,944)	(3,410)	903	(2,507)
Shareholders' absorption of loss / (income) transferred to Shareholders	12,868	(924)	11,944	3,069	(903)	2,166
<u>NET LOSS ATTRIBUTED TO THE INSURANCE OPERATIONS</u>	-	-	-	(341)	-	(341)
<u>Earnings / (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 (SR) – restated – 2017	-		(0.30)	-		(0.06)

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim statement of comprehensive income

	Three-month period ended 30 September (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
NET (LOSS) / INCOME FOR THE PERIOD	(12,868)	924	(11,944)	(3,410)	903	(2,507)
Other comprehensive (loss) / income				-	-	-
<i>Items that are or may be reclassified to interim statement of income in subsequent periods</i>						
<i>Available for sale investments:</i>						
- Net change in fair value	(36)	(82)	(118)	(9)	(211)	(220)
- Net amounts transferred to statement of income	-	-	-	-	-	-
Others (to be disclosed if necessary)	-	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(12,904)	842	(12,062)	(3,419)	692	(2,727)

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
REVENUES						
Gross premiums written						
- Direct	313,702	-	313,702	476,149	-	476,149
- Reinsurance	-	-	-	486	-	486
	313,702	-	313,702	476,635	-	476,635
Reinsurance premiums ceded						
- Local	(9,461)	-	(9,461)	(12,334)	-	(12,334)
- Foreign	(214,824)	-	(214,824)	(341,559)	-	(341,559)
	(224,285)	-	(224,285)	(353,893)	-	(353,893)
Excess of loss expenses						
- Local	(204)	-	(204)	(198)	-	(198)
- Foreign	(1,826)	-	(1,826)	(2,756)	-	(2,756)
	(2,030)	-	(2,030)	(2,954)	-	(2,954)
Net premiums written	87,387	-	87,387	119,788	-	119,788
Changes in unearned premiums, net	8,080	-	8,080	27,392	-	27,392
Net premiums earned	95,467	-	95,467	147,180	-	147,180
Reinsurance commissions	38,223	-	38,223	45,527	-	45,527
TOTAL REVENUES	133,690	-	133,690	192,707	-	192,707
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	143,577	-	143,577	237,385	-	237,385
Reinsurers' share of claims paid	(93,450)	-	(93,450)	(102,020)	-	(102,020)
Net claims	50,127	-	50,127	135,365	-	135,365
Changes in outstanding claims and other technical reserves, net	(7,638)	-	(7,638)	(22,671)	-	(22,671)
Changes in claims incurred but not reported, net	(11,307)	-	(11,307)	(97,256)	-	(97,256)
Net claims incurred	31,182	-	31,182	15,438	-	15,438
Premium deficiency reserves	6,578	-	6,578	627	-	627
Other technical reserves	(876)	-	(876)	(5,185)	-	(5,185)
Policy acquisition costs	10,385	-	10,385	13,142	-	13,142
Other underwriting expenses	2,515	-	2,515	2,591	-	2,591
TOTAL UNDERWRITING COSTS AND EXPENSES	49,784	-	49,784	26,613	-	26,613
NET UNDERWRITING INCOME	83,906	-	83,906	166,094	-	166,094

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – continued

	Nine-month period ended 30 September (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(86,579)	(1,500)	(88,079)	(90,287)	(759)	(91,046)
Allowance for doubtful debts	(20,922)	-	(20,922)	(20,049)	-	(20,049)
Board remuneration	-	(870)	(870)	-	(853)	(853)
Dividend income	-	6	6	-	-	-
Amortization of held to maturity investments	153	141	294	141	141	282
Commission income on investments	3,417	5,212	8,629	3,569	4,202	7,771
Dividend and realized (loss) / gain on investments	-	(1,905)	(1,905)	(1,223)	(20)	(1,243)
Other income	2,473	-	2,473	4,836	-	4,836
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(101,458)	1,084	(100,374)	(103,013)	2,711	(100,302)
<u>NET (LOSS) / INCOME FOR THE PERIOD</u>	(17,552)	1,084	(16,468)	63,081	2,711	65,792
Shareholders' absorption of loss / (income) transferred to Shareholders	17,552	(1,084)	16,468	(56,773)	(2,711)	(59,484)
<u>NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS</u>	-	-	-	6,308	-	6,308
<u>Earnings / (loss) per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)	-	40,000	40,000	-	40,000	40,000
Basic and diluted (loss) / earnings per share for the period (SR) – restated – 2017	-	(0.41)	(0.41)	-	1.49	1.49

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim statement of comprehensive income

	Nine-month period ended 30 September (Unaudited)					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SAR '000					
NET (LOSS) / INCOME FOR THE PERIOD	(17,552)	1,084	(16,468)	6,308	59,484	65,792
Other comprehensive (loss) / income						
<i>Items that are or may be reclassified to interim statement of income in subsequent periods</i>						
<i>Available for sale investments:</i>						
- Net change in fair value	(152)	(552)	(704)	(54)	1,355	1,301
- Net amounts transferred to statement of income	-	3,264	3,264	-	(196)	(196)
Others (to be disclosed if necessary)	-	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(17,704)	3,796	(13,908)	6,254	60,643	66,897

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

AT 30 September 2018

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income for the period	-	(16,468)	(16,468)	6,308	59,484	65,792
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	1,009	-	1,009	1,169	-	1,169
Allowance for doubtful debts	20,922	-	20,922	20,049	-	20,049
Realized loss / (gain) on investments	-	1,905	1,905	(210)	(196)	(406)
Amortization of held to maturity investments	(153)	(141)	(294)	(142)	(141)	(283)
Provision for end-of-service indemnities	198	-	198	3,381	-	3,381
	<u>21,976</u>	<u>(14,704)</u>	<u>7,272</u>	<u>30,555</u>	<u>59,147</u>	<u>89,702</u>
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	42,213	-	42,213	(73,797)	-	(73,797)
Reinsurers' share of unearned premiums	61,794	-	61,794	(31,955)	-	(31,955)
Reinsurers' share of outstanding claims	5,711	-	5,711	14,959	-	14,959
Reinsurers' share of claims Incurred but not reported	16,567	-	16,567	(16,434)	-	(16,434)
Deferred policy acquisition costs	2,982	-	2,982	193	-	193
Prepaid expenses and other assets	25,413	(1,879)	23,534	(1,160)	(2,066)	(3,226)
Accrued commission on statutory deposit	-	(572)	(572)	-	(371)	(371)
Premium deficiency reserves	6,577	-	6,577	(1,970)	-	(1,970)
Other technical reserves	(876)	-	(876)	(2,588)	-	(2,588)
Policyholders and accounts payables	(4,008)	-	(4,008)	(2,706)	-	(2,706)
Accrued and other liabilities	(27,772)	353	(27,419)	25,421	280	25,701
Reinsurers' balances payable	(8,145)	-	(8,145)	64,445	-	64,445
Unearned premiums	(69,873)	-	(69,873)	4,563	-	4,563
Unearned reinsurance commission	(5,803)	-	(5,803)	9,672	-	9,672
Outstanding claims	(13,350)	-	(13,350)	(37,628)	-	(37,628)
Claims incurred but not reported	(27,873)	-	(27,873)	(80,823)	-	(80,823)
Accrued commission on statutory deposit payable to SAMA		572	572	-	137	137
Due to shareholders operations	73,720	-	73,720	(25,998)	-	(25,998)
Due from Insurance Operations	-	(73,720)	(73,720)	-	25,998	25,998
	<u>99,253</u>	<u>(89,950)</u>	<u>9,303</u>	<u>(125,251)</u>	<u>83,359</u>	<u>(41,892)</u>
Zakat and income tax paid	-	(5,179)	(5,179)	-	(2,973)	(2,973)
Net cash flows from / (used in) operating activities	<u>99,253</u>	<u>(95,129)</u>	<u>4,124</u>	<u>(125,251)</u>	<u>80,386</u>	<u>(44,865)</u>

UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows – continued

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2018 Total	Insurance operations	Share-holders' operations	2017 Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Time deposits	(22,096)	-	(22,096)	136,070	(16,070)	120,000
Purchases of investments	-	-	-	(85,000)	(72,063)	(157,063)
Proceeds from sale of investments	-	1,025	1,025	86,073	10,579	96,652
Proceeds from maturity of term deposits	-	-	-	1,392	318	1,710
Purchase of property and equipment	(519)	-	(519)	(919)	-	(919)
Net cash flows (used in) / from investing activities	(22,615)	1,025	(21,590)	137,616	(77,236)	60,380
Net change in cash and cash equivalents	76,638	(94,104)	(17,466)	12,365	3,150	15,515
Cash and cash equivalents, beginning of the period	43,953	94,843	138,796	61,736	1,268	63,004
Cash and cash equivalents, end of the period	120,591	739	121,330	74,101	4,418	78,519
NON-CASH INFORMATION						
Change in fair value of available-for-sale investments	(152)	(552)	(704)	(54)	1,355	1,301

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

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

19. COMPARATIVE FIGURES

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

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 27 Safar 1440H, corresponding to 05 November 2018.