

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

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

**For the three-months period ended
31 March 2020**

**UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2020**

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REPORT ON REVIEW OF 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 of 31 March 2020 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended and a summary of significant accounting policies and other explanatory notes (the "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) as endorsed in the Kingdom of Saudi Arabia. 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.
Certified Public Accountants

Sindi & Batterjee.
Certified Public Accountants


Ibrahim A. Al Bassam
Certified Public Accountant



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Mazin Mohammed
Batterjee
Certified Public Accountant
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15 June 2020
23 Shawwal 1441H
Jeddah, Kingdom of Saudi Arabia



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

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**


	Notes	31 March 2020 (Unaudited)	31 December 2019 (Audited)
SAR'000			
ASSETS			
Cash and cash equivalents	4	81,349	257,653
Short term deposits	4	23,496	23,496
Premiums and reinsurers' receivable – net	5	352,308	202,452
Reinsurers' share of unearned premiums	7	272,642	137,914
Reinsurers' share of outstanding claims	7	96,195	45,581
Reinsurers' share of claims incurred but not reported	7	119,915	112,881
Deferred policy acquisition costs		12,438	6,444
Investments	6	351,444	190,948
Prepaid expenses and other assets		47,708	37,756
Property and equipment		6,572	7,008
Goodwill		78,400	78,400
Statutory deposit	8	60,000	60,000
Accrued commission income on statutory deposit		4,301	3,824
TOTAL ASSETS		1,446,768	1,164,357



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 – 21 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)
AS AT 31 MARCH 2020

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Notes	<u>SAR'000</u>	
<u>LIABILITIES</u>		
Policyholders claims payable	2,749	13,419
Accrued and other liabilities	76,052	67,454
Reinsurers' balances payable	270,246	178,413
Unearned premiums	7 338,747	163,093
Unearned reinsurance commission	42,839	27,769
Outstanding claims	7 55,183	66,652
Claims incurred but not reported	7 167,020	162,673
Premium deficiency reserve	21,419	18,760
Other technical reserves	8,740	9,604
Due to a related party	12 270	270
Employees' defined benefit obligations	8,746	9,475
Surplus from insurance operation	37,053	37,053
Fair value reserve on investments	8,170	15
Zakat and income tax	13 30,936	28,936
Accrued commission income on statutory deposit payable to SAMA	4,301	3,824
<u>TOTAL LIABILITIES</u>	<u>1,072,471</u>	<u>787,410</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital	14 400,000	400,000
Statutory reserve	31,944	31,944
Accumulated losses	(69,235)	(64,145)
Fair value reserve on investments	10,077	7,637
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>372,786</u>	<u>375,436</u>
Re-measurement reserve of employees' defined benefit obligations	1,511	1,511
<u>TOTAL EQUITY</u>	<u>374,297</u>	<u>376,947</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>1,446,768</u>	<u>1,164,357</u>
<u>COMMITMENTS AND CONTINGENCIES</u>	9 <u>23,496</u>	<u>23,496</u>


 Chief Financial Officer


 Chief Executive Officer


 Director

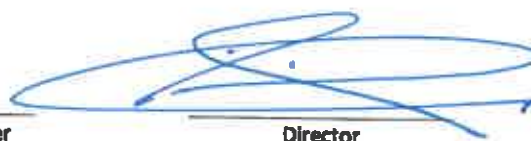
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UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME – (Unaudited)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

	Notes	Three months period ended 31	
		March	
		2020	2019
		SAR'000	SAR'000
			(Restated)
REVENUES			
Gross premiums written			
- Direct	11.1	240,646	114,411
Reinsurance premiums ceded		240,646	114,411
- Local		(9,948)	(4,151)
- Foreign		(174,162)	(92,964)
Excess of loss expenses		(184,110)	(97,115)
- Local		(171)	(63)
- Foreign		(968)	(515)
		(1,139)	(578)
<i>Net premiums written</i>	7.2	55,397	16,718
Changes in unearned premiums, net		(40,926)	7,341
<i>Net premiums earned</i>	7.2	14,471	24,059
Reinsurance commissions earned		7,159	10,079
TOTAL REVENUES		21,630	34,138
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		20,006	41,670
Reinsurers' share of claims paid		(8,522)	(24,862)
<i>Net claims paid</i>		11,484	16,808
Changes in outstanding claims, net		(2,083)	437
Changes in claims incurred but not reported, net		(2,687)	(6,015)
<i>Net claims incurred</i>		6,714	11,230
Premium deficiency reserve		2,658	6,727
Other technical reserves		(863)	(6,347)
Policy acquisition costs		2,410	2,190
Other underwriting expenses		556	838
TOTAL UNDERWRITING COSTS AND EXPENSES		11,475	14,638
NET UNDERWRITING RESULT		10,155	19,500


 Chief Financial Officer


 Chief Executive Officer


 Director

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

**INTERIM STATEMENT OF INCOME – (Unaudited) – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

	Notes	Three-months period ended 31 March	
		2020 SAR'000	2019 SAR'000 (Restated)
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
General and administrative expenses		(19,852)	(29,347)
Release of provision for doubtful debts	5	4,313	672
Board remuneration	12	(270)	(211)
Amortization of held to maturity investments		-	98
Commission income on investments		1,923	3,687
Realized loss on investments		-	(298)
Other income		641	370
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(13,245)</u>	<u>(25,029)</u>
LOSS FOR THE PERIOD		(3,090)	(5,529)
NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS		-	-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX		(3,090)	(5,529)
Zakat for the period	13	(1,900)	(950)
Income tax for the period	13	(100)	(50)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		<u>(2,000)</u>	<u>(1,000)</u>
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		<u>(5,090)</u>	<u>(6,529)</u>
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		40,000	40,000
Basic and diluted loss per share for the period (SAR) – Restated – 2019	16	(0.13)	(0.16)


Chief Financial Officer


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Director

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UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

	<u>Notes</u>	<i>Three-months period ended</i>	
		31 March	
		2020	2019
		SAR'000	SAR'000
NET LOSS FOR THE PERIOD		(5,090)	(6,529)
Other comprehensive income / (loss)			
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>			
- Available-for-sale Investments:			
- Net change in fair value		10,595	262
- Net amounts transferred to statement of income		-	298
<u>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</u>		<u>5,505</u>	<u>(5,969)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS		(8,155)	(100)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		<u>(2,650)</u>	<u>(6,069)</u>



 Chief Financial Officer



 Chief Executive Officer



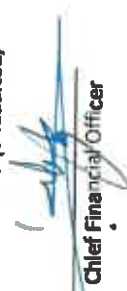
 Director

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UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN EQUITY – (Unaudited)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

		SHAREHOLDERS' EQUITY						
		Share capital	Statutory reserve	Accumulated losses	Fair value reserve on investments	Total shareholders' equity	Re-measurement reserve of employees' defined benefit obligations	Total Equity
	<u>2020</u>					SAR '000		
	Balance as at 31 December 2019 (audited)	400,000	31,944	(64,145)	7,637	375,436	1,511	376,947
	<i>Total comprehensive income / (loss) for the period</i>	-	-	-	2,440	2,440	-	2,440
	Changes in fair values of available-for-sale Investments	-	-	(5,090)	-	(5,090)	-	(5,090)
	Net loss for the period – attributable to shareholders	-	-	(5,090)	2,440	(2,650)	-	(2,650)
	Total comprehensive loss for the period attributable to shareholders	-	-	(5,090)	2,440	(2,650)	-	(2,650)
	Balance as at 31 March 2020 (unaudited)	400,000	31,944	(69,235)	10,077	372,786	1,511	374,297
	<u>2019</u>					SAR '000		
	Balance as at 31 December 2018 (audited)	400,000	31,944	(71,684)	52	360,312	436	360,748
	<i>Total comprehensive income / (loss) for the period</i>	-	-	-	176	176	-	176
	Changes in fair values of available-for-sale Investments	-	-	-	284	284	-	284
	Transfers to statement of Income	-	-	-	-	(6,529)	-	(6,529)
	Net loss for the period – attributable to shareholders	-	-	(6,529)	-	(6,529)	-	(6,529)
	Total comprehensive loss for the period attributable to shareholders	-	-	(6,529)	-	(6,069)	-	(6,069)
	Balance as at 31 March 2019 (unaudited)	400,000	31,944	(78,213)	512	354,243	436	354,679


Chief Financial Officer


Chief Executive Officer


Director

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UNITED COOPERATIVE ASSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASHFLOWS – (Unaudited)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

	2020	2019
	SAR'000	SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat and income tax	(3,090)	(5,529)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	663	368
Release of provision for doubtful debts	5 (4,313)	(672)
Realized loss on investments	-	298
Amortization of held to maturity investments	-	(98)
Provision for employees' defined benefit obligations	516	796
	<u>(6,224)</u>	<u>(4,837)</u>
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(145,543)	(33,334)
Reinsurers' share of unearned premiums	(134,728)	(27,937)
Reinsurers' share of outstanding claims	9,386	8,249
Reinsurers' share of claims incurred but not reported	(7,034)	25,964
Deferred policy acquisition costs	(5,994)	(168)
Prepaid expenses and other assets	(9,952)	(6,708)
Accrued commission income on statutory deposit	(477)	(266)
Policyholders and accounts payables	(10,670)	(16,645)
Accrued and other liabilities	8,599	6,858
Reinsurers' balances payable	91,833	6,775
Unearned premiums	175,654	20,596
Unearned reinsurance commission	15,070	4,588
Outstanding claims	(11,469)	(7,812)
Claims incurred but not reported	4,347	(31,978)
Premium deficiency reserve	2,659	6,727
Other technical reserves	(864)	(6,347)
Accrued commission income on statutory deposit payable to SAMA	477	266
	<u>(24,930)</u>	<u>(56,009)</u>
Employees' defined benefit obligations paid	(1,245)	(4,384)
Net cash flows used in operating activities	<u>(26,175)</u>	<u>(60,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	6 (149,902)	(20,000)
Proceeds from sale of investments	-	17,023
Purchase of property and equipment	(227)	(2,056)
Net cash flows used in investing activities	<u>(150,129)</u>	<u>(5,033)</u>
Net change in cash and cash equivalents	<u>(176,304)</u>	<u>(65,426)</u>
Cash and cash equivalents, beginning of the period	257,653	89,533
Cash and cash equivalents, end of the period	<u>81,349</u>	<u>24,107</u>

NON-CASH INFORMATION

Change in fair value of available-for-sale investments	10,595	560
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 Chief Financial Officer


 Chief Executive Officer


 Director

The accompanying notes from 1 – 21 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
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

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, 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 from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

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

2. BASIS OF PREPARATION

a. Basis of presentation and measurement

The Interim condensed financial statements for the three-months period ended 31 March 2020 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 pronouncements issued by Saudi Organization of Certified Public Accountants (SOCPA), pursuant to SAMA circular dated 17 July 2019.

The Interim condensed financial statements of the Company as at and for the three-months period ended 31 March 2019 was prepared in compliance with IAS 34 as modified by SAMA for the accounting of Zakat and income tax (relating to application of IAS 12 – "Income Taxes" and IFRS 21 – "Levies" so far as these relate to Zakat and income tax.

Accordingly, beginning period ended 30 June 2019, the Company has updated its accounting policy to account for zakat and income taxes in the Interim condensed statement of income based on the instructions issued by SAMA on 23 July 2019 to Insurance companies in the Kingdom of Saudi Arabia. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") ("collectively referred to as "IFRS as endorsed in KSA"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The effects of this change are disclosed in note 18 of the interim condensed financial statements.

These interim condensed financial statements have been prepared under the going concern basis and historical cost convention except for the measurement for held-to-maturity investments, available-for-sale investment and employees' defined benefit obligations which are recognized at amortised cost, fair value and present value of future obligations using the projected unit credit method respectively. The Company's Interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, End-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation and measurement – (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 41 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. 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.

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 2019.

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 2019.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

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 2019 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. Further, the Company has considered the following:

- On 11 March 2020, the World Health Organization ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- In response to the spread of the Covid-19 virus in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.
- Also refer subsequent event note 19 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.
 - a. **New IFRS, International Financial Reporting and Interpretations Committee's Interpretations (IFRIC) and amendments thereof, adopted by the Company**

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

<u>Standard/ Amendments</u>	<u>Description</u>
Amendments to IAS 1 & IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards

The adoption of the relevant amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

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 17	Insurance Contracts (note below)	1 January 2022

IFRS 9 - Financial Instruments

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

a) Classification and measurement:

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

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

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

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

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 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 profit or loss.

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 profit or loss.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. 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 Jan 01, 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 financial statements.

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

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

IFRS 9 - Financial Instruments – (continued)

Impact assessment

As at December 31, 2019, the Company has total financial assets and Insurance related assets amounting to SR 978.57 million and SR 751.94 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 295.41 million (2018: SR 136.73 million). Other financial assets consist of available for sale investments amounting to SR 184.32 million (2018: SR 30.17 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9.

As at December 31, 2019 these debt securities are measured at fair value of SR 164.206 million with changes in fair value during the year of SR 6.6 million. Other financial assets have a fair value of SR 24.59 million as at December 31, 2019 with a fair value change during the year of SR 1.02 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 31. The Company financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

IFRS 17 – Insurance Contracts

Overview

This standard has been published on May 18, 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)

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards Issued but not yet effective – (continued)

IFRS 17 – Insurance Contracts – (continued)

Measurement

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

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

IFRS 17 – Insurance Contracts – (continued)

Effective date

The 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, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these 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:

Impact Area	Summary of Impact
Financial Impact	<i>The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.</i>
Data Impact	<i>IFRS 17 has additional data requirements and Company has majority of data available and currently is in the process of building data warehouse to accommodate any extra data requirements and consolidate the data in one place coming from its various IT systems..</i>
IT Systems	<i>The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17.</i>
Process Impact	<i>The process impact is under evaluation, but no significant process changes are anticipated.</i>
Impact on RI Arrangements	<i>The Company's reinsurance arrangements are currently under testing to determine the suitable measurement approach.</i>
Impact on Policies & Control Frameworks	<i>The Company is currently working with an external consultant to review and modify the current policy control framework.</i>
Human resources	<i>The Company needs to recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17.</i>

The Company has started with their implementation process and have set up an implementation committee.

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4. CASH AND CASH EQUIVALENTS

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

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
<i>Insurance operations</i>		
Bank balances and cash	79,762	216,199
<i>Shareholders' operations</i>		
Bank balances and cash	1,587	41,454
Total cash and cash equivalents	81,349	257,653
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
4. (b) SHORT TERM DEPOSIT		
<i>Insurance operations</i>		
Short term deposits	23,496	23,496

- a. Short term deposits represent deposits with local banks that have investment grade credit rating and have an original maturity of more than three months from the date of acquisition.
- b. These deposits earn commission at an average rate of 2.35% per annum as at 31 March 2020 (31 December 2019: 2.35%)

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Policyholders	162,648	117,353
Brokers and agents	9,872	210
Related parties (note 12)	236,636	146,671
Receivables from reinsurers'	22,759	22,138
	431,915	286,372
Provision for doubtful receivables	(79,607)	(83,920)
Premiums and reinsurers' receivable – net	352,308	202,452

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

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Balance at the beginning of the period / year	83,920	86,665
Release of provision during the period / year	(4,313)	(2,745)
Balance at the end of the period / year	79,607	83,920

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6. INVESTMENTS

Investment are classified as follows:

Insurance operations	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
- Available for sale (note 6.1)	119,524	227
- Held to maturity (note 6.3)	-	-
Total	119,524	227

6.1 Available-for-sale Investments

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

Insurance' operations	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	227	3,894
Purchases during the period / year	111,142	20,000
Disposals during the period / year	-	(103,391)
Transfer from held to maturity investments during the period / year*	-	78,486
Changes in fair value of investments	8,155	1,238
Closing balance	119,524	227

Insurance' operations	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Investment in bonds	119,297	-
Investment in mutual funds	227	227
	119,524	227

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6. INVESTMENTS – (continued)

Shareholders' operations	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
- Available for sale (note 6.2)	231,920	190,721
- Held to maturity (note 6.3)	-	-
<i>Total</i>	231,920	190,721

6.2 Available-for-sale Investments

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

Shareholders' operations	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	190,721	26,277
Purchases during the period / year	38,760	23,576
Transfer from held to maturity investments during the period / year*	-	157,585
Disposals during the period / year	-	(24,613)
Changes in fair value of investments	2,439	7,896
<i>Closing balance</i>	231,920	190,721

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Investment in equity shares	5,935	6,613
Investment in bonds	205,469	164,205
Investment in mutual funds	20,516	19,903
	231,920	190,721

*During 2019, the company had sold few held to maturity investments before the maturity dates. Hence, the Company reclassified all of its held to maturity portfolio into available-for-sale investment.

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6. INVESTMENTS – (continued)

6.3 Held to maturity investments

Movement in held to maturity investment balance is as follows:

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Insurance operations		
Opening balance	-	156,265
Transfer to available-for-sale investments*	-	(78,486)
Disposals during the period / year	-	(81,099)
Realized gain / (loss) on Investments	-	3,209
Amortization of held to maturity investments	-	111
Closing balance	-	-
Shareholders' operations		
Opening balance	-	198,319
Disposals during the period / year	-	(42,355)
Transfer to available-for-sale investments*	-	(157,585)
Realized gain / (loss) on Investments	-	1,446
Amortization of held to maturity Investments	-	175
Closing balance	-	-

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Outstanding claims	55,183	66,652
Claims incurred but not reported	167,020	162,673
	222,203	229,325
Premium deficiency reserve	21,419	18,760
Other technical reserves	8,740	9,604
	252,362	257,689
Less:		
- Reinsurers' share of outstanding claims	(36,195)	(45,581)
- Reinsurers' share of claims Incurred but not reported	(119,915)	(112,881)
	(156,110)	(158,462)
Net outstanding claims and reserves	96,252	99,227

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-months period ended 31 March 2020 (Unaudited)		
	Gross	Reinsurance SAR'000	Net
Balance as at the beginning of the period	163,093	(137,914)	25,179
Premium written during the period	240,646	(185,249)	55,397
Premium earned during the period	(64,992)	50,521	(14,471)
Balance as at the end of the period	338,747	(272,642)	66,105

	Year ended 31 December 2019 (Audited)		
	Gross	Reinsurance SAR'000	Net
Balance as at the beginning of the year	141,051	(94,750)	46,301
Premium written during the year	420,292	(366,014)	54,278
Premium earned during the year	(398,250)	322,850	(75,400)
Balance as at the end of the year	163,093	(137,914)	25,179

8. STATUTORY DEPOSIT

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
<i>Shareholders' Operations</i>		
Statutory deposit	60,000	60,000

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.

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9. COMMITMENTS AND CONTINGENCIES

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

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Letters of guarantee issued in favour of GAZT	22,096	22,096
Letters of guarantee issued in favour of non-government customers	1,400	1,400
Total	23,496	23,496

b. There were no capital commitments outstanding as at 31 March 2020 (31 December 2019: Nil).

c. As at 31 March 2020, the Company's bankers have given guarantees to non-government customers amounting to SAR 1.4 million (31 December 2019: SAR 1.4 million) in respect of motor insurance and to the General Authority of Zakat and Tax amounting to SAR 22.096 million (31 December 2019: SAR 22.096 million). Margin deposit of SAR 22.096 million (31 December 2019: SAR 22.096 million) being deposited with a bank.

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 advantageous accessible market for the asset or liability

The fair values 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.

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

31 March 2020 (Unaudited)

	Fair value			
	Level 1 SAR' 000	Level 2 SAR' 000	Level 3 SAR' 000	Total SAR' 000
Financial assets measured at fair value				
<i>Equity securities</i>				
- Insurance operations	-	227	-	227
- Shareholders' operations	4,012	22,439	-	26,451
<i>Debt Securities</i>				
- Insurance operations	-	119,297	-	119,297
- Shareholders' operations	-	205,469	-	205,469
Financial assets not measured at fair value				
<i>Debt securities</i>				
- Insurance operations	-	-	-	-
- Shareholders' operations	-	-	-	-
	4,012	347,432	-	351,444

31 December 2019 (Audited)

	Fair value			
	Level 1 SAR' 000	Level 2 SAR' 000	Level 3 SAR' 000	Total SAR' 000
Financial assets measured at fair value				
<i>Equity securities</i>				
- Insurance operations	-	227	-	227
- Shareholders' operations	4,690	19,902	1,923	26,515
Financial assets not measured at fair value				
<i>Debt securities</i>				
<i>Insurance operations</i>				
- Shareholders' operations	60,260	103,946	-	164,206
	64,950	124,075	1,923	190,948

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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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 2019.

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 31 March 2020 and 31 December 2019, its total revenues, expenses, and net income for the three-months period then ended, are as follows:

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11. OPERATING SEGMENTS -- (continued)

	As at 31 March 2020 (Unaudited) SAR'000						Total	
	Medical	Motor	Energy	Engineering	Others	Insurance operations		Shareholders' operations
Assets								
Reinsurers' share of unearned premiums	7,067	22,390	24,776	174,479	43,930	272,642	-	272,642
Reinsurers' share of outstanding claims	2,251	4,028	-	1,664	28,252	36,195	-	36,195
Reinsurers' share of claims incurred but not reported	753	13,162	21,410	38,168	46,422	119,915	-	119,915
Deferred policy acquisition costs	679	5,511	-	4,722	1,526	12,438	-	12,438
Unallocated assets						626,145	379,433	1,005,578
Total assets						1,067,335	379,433	1,446,768
Liabilities								
Unearned premiums	14,935	70,831	25,210	177,572	50,199	338,747	-	338,747
Unearned reinsurance commission	-	5,075	-	30,197	7,567	42,839	-	42,839
Outstanding claims	4,093	16,564	-	2,531	31,995	55,183	-	55,183
Claims incurred but not reported	4,925	46,398	21,785	41,048	52,864	167,020	-	167,020
Premium deficiency reserve	3,843	17,570	-	-	6	21,419	-	21,419
Other technical reserves	1,800	5,510	38	375	1,017	8,740	-	8,740
Unallocated liabilities						404,060	408,760	812,820
Total liabilities						1,038,008	408,760	1,446,768

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11. OPERATING SEGMENTS -- (continued)

	As at 31 December 2019 (Audited) SAR'000							
	Medical	Motor	Energy	Engineering	Others	Insurance operations	Shareholders' operations	Total
Assets								
Reinsurers' share of unearned premiums	6,554	7,596	-	104,260	19,504	137,914	-	137,914
Reinsurers' share of outstanding claims	2,424	4,811	-	6,155	32,191	45,581	-	45,581
Reinsurers' share of claims incurred but not reported	1,570	13,551	21,365	32,197	44,198	112,881	-	112,881
Deferred policy acquisition costs	625	839	-	3,837	1,143	6,444	-	6,444
Unallocated assets						486,067	375,470	861,537
Total assets						788,887	375,470	1,164,357
Liabilities								
Unearned premiums	13,478	18,990	-	106,911	23,714	163,093	-	163,093
Unearned reinsurance commission		1,617	-	22,162	3,990	27,769	-	27,769
Outstanding claims	4,339	19,803	-	6,815	35,695	66,652	-	66,652
Claims incurred but not reported	8,495	47,165	21,739	35,011	50,263	162,673	-	162,673
Premium deficiency reserve	8,077	10,343	-	-	340	18,760	-	18,760
Other technical reserves	4,242	4,020	37	347	958	9,604	-	9,604
Unallocated liabilities						306,843	408,963	715,806
Total liabilities						755,394	408,963	1,164,357

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11. OPERATING SEGMENTS – (continued)

For the three-months period ended 31 March 2020 (Unaudited)

	<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	-	20,262	-	-	20	20,282
- Micro enterprises	1,976	5,055	-	193	3,830	11,054
- Small enterprises	2,066	12,168	-	2,988	5,284	22,506
- Medium enterprises	3,956	23,077	-	82,568	30,939	140,540
- Large enterprises	163	4,232	33,933	(165)	8,101	46,264
	8,161	64,794	33,933	85,584	48,174	240,646
Reinsurance premiums ceded						
- Local	(671)	(3,240)	-	(3,170)	(2,867)	(9,948)
- Foreign	(3,075)	(16,293)	(33,349)	(80,941)	(40,504)	(174,162)
	(3,746)	(19,533)	(33,349)	(84,111)	(43,371)	(184,110)
Excess of loss expenses						
- Local	-	(79)	-	-	(92)	(171)
- Foreign	-	(446)	-	-	(522)	(968)
	-	(525)	-	-	(614)	(1,139)
Net premiums written	4,415	44,736	584	1,473	4,189	55,397
Changes in unearned premiums, net	(943)	(37,047)	(434)	(442)	(2,060)	(40,926)
Net premiums earned	3,472	7,689	150	1,031	2,129	14,471
Reinsurance commissions earned	-	926	473	2,304	3,456	7,159
TOTAL REVENUES	3,472	8,615	623	3,335	5,585	21,630
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	5,880	12,430	-	207	1,489	20,006
Reinsurers' share of claims paid	(3,074)	(4,375)	-	(181)	(892)	(8,522)
Net claims paid	2,806	8,055	-	26	597	11,484
Changes in outstanding claims, net	(73)	(2,456)	-	207	239	(2,083)
Changes in claims incurred but not reported, net	(2,753)	(378)	1	66	377	(2,687)
Net claims incurred	(20)	5,221	1	299	1,213	6,714
Premium deficiency reserve	(4,234)	7,226	-	-	(334)	2,658
Other technical reserves	(2,442)	1,490	-	27	62	(863)
Policy acquisition costs	305	966	-	398	741	2,410
Other underwriting expenses	141	64	170	76	105	556
TOTAL UNDERWRITING COSTS AND EXPENSES	(6,250)	14,967	171	800	1,787	11,475
NET UNDERWRITING RESULT	9,722	(6,352)	452	2,535	3,798	10,155

UNITED COOPERATIVE ASSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

11. OPERATING SEGMENTS – (continued)

For the three-months period ended 31 march 2020 (Unaudited)

	<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>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(19,852)
Release of provision for doubtful debts						4,313
Board remuneration						(270)
Commission income on investments						1,923
Other income						641
<u>TOTAL OTHER OPERATING EXPENSES</u>						(13,245)
<u>LOSS FOR THE PERIOD</u>						(3,090)
Net loss for the period attributable to insurance operations						-
Net loss for the period attributable to the shareholders' before zakat and income tax						(3,090)
Zakat for the period						(1,900)
Income tax for the period						(100)
						(2,000)
NET LOSS FOR THE PERIOD						(5,090)

***11.1 Additional information**

For the three-months period ended 31 March 2020 (Unaudited)

	<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>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<u>REVENUES</u>					
Gross premiums written					
- Individual	-	20,262	20	-	20,282
- Micro enterprises	1,976	5,055	4,023	-	11,054
- Small enterprises	2,066	12,168	8,272	-	22,506
- Medium enterprises	3,956	23,077	113,507	-	140,540
- Large enterprises	163	4,232	41,869	-	46,264
	8,161	64,794	167,691	-	240,646

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

11. OPERATING SEGMENTS – (continued)

For the three-months period ended 31 March 2019 (Unaudited)
(Restated)

	<i>Medical</i> <i>SAR'000</i>	<i>Motor</i> <i>SAR'000</i>	<i>Energy</i> <i>SAR'000</i>	<i>Engineering</i> <i>SAR'000</i>	<i>Others</i> <i>SAR'000</i>	<i>Total</i> <i>SAR'000</i>
REVENUES						
Gross premiums written						
- Individual	-	5,330	-	-	59	5,389
- Micro enterprises	1,241	2,184	-	259	1,680	5,364
- Small enterprises	859	1,261	-	1,522	3,479	7,121
- Medium enterprises	8,235	629	-	4,563	29,048	42,475
- Large enterprises	11	1,943	39,091	4,814	8,203	54,062
	10,346	11,347	39,091	11,158	42,469	114,411
Reinsurance premiums ceded						
- Local	-	(567)	-	(1,094)	(2,490)	(4,151)
- Foreign	(5,270)	(3,922)	(38,418)	(8,958)	(36,396)	(92,964)
	(5,270)	(4,489)	(38,418)	(10,052)	(38,886)	(97,115)
Excess of loss expenses						
- Local	-	(17)	-	-	(46)	(63)
- Foreign	-	(95)	-	-	(420)	(515)
	-	(112)	-	-	(466)	(578)
<i>Net premiums written</i>	5,077	6,746	673	1,106	3,116	16,718
Changes in unearned premiums, net	792	7,534	(401)	365	(949)	7,341
<i>Net premiums earned</i>	5,869	14,280	272	1,471	2,167	24,059
Reinsurance commissions earned	-	2,648	615	2,159	4,657	10,079
TOTAL REVENUES	5,869	16,928	887	3,630	6,824	34,138
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	15,510	21,068	-	1,733	3,359	41,670
Reinsurers' share of claims paid	(10,428)	(9,921)	-	(1,655)	(2,858)	(24,862)
<i>Net claims paid</i>	5,082	11,147	-	78	501	16,808
Changes in outstanding claims, net	(566)	1,332	(3)	(69)	(257)	437
Changes in claims incurred but not reported, net	4,184	(8,553)	(63)	(1,097)	(486)	(6,015)
<i>Net claims incurred</i>	8,700	3,926	(66)	(1,088)	(242)	11,230
Premium deficiency reserve	3,310	(834)	-	(1,004)	5,255	6,727
Other technical reserves	(5,193)	(403)	(92)	(588)	(71)	(6,347)
Policy acquisition costs	441	991	-	185	573	2,190
Other underwriting expenses	183	136	195	133	191	838
TOTAL UNDERWRITING COSTS AND EXPENSES	7,441	3,816	37	(2,362)	5,706	14,638
NET UNDERWRITING RESULT	(1,572)	13,112	850	5,992	1,118	19,500

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

11. OPERATING SEGMENTS – (continued)

For the three-months period ended 31 March 2019 (Unaudited)
(Restated)

	<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>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses						(29,347)
Release of provision for doubtful debts						672
Board remuneration						(211)
Amortization of held to maturity Investments						98
Commission income on investments						3,687
Realized loss on investments						(298)
Other income						370
<u>TOTAL OTHER OPERATING EXPENSES</u>						(25,029)
<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						(5,529)
Zakat for the period						(950)
Income tax for the period						(50)
NET LOSS FOR THE PERIOD						(6,529)

***11.1 Additional Information**

For the three-months period ended 31 March 2019 (Unaudited)

	<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>	
<u>REVENUES</u>					
Gross premiums written					
- Individual	-	5,330	59	-	5,389
- Micro enterprises	1,241	2,184	1,939	-	5,364
- Small enterprises	859	1,261	5,001	-	7,121
- Medium enterprises	8,235	629	33,611	-	42,475
- Large enterprises	11	1,943	52,108	-	54,062
	10,346	11,347	92,718	-	114,411

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel (key management includes all directors, executives and non-executives, and senior management) 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 year and the related balances:

	Nature of transactions	Transactions for the period ended		Balance receivable / (payable) as at	
		31 March 2020 (Unaudited)	31 March 2019 (Unaudited)	31 March 2020 (Unaudited)	31 December 2019 (Audited)
SAR'000					
Major shareholders					
Haji Hussien Ali Reza	Premium written	2,752	3,371		
	Payments received and claims paid	(3,262)	(787)	9,845	10,355
Saudi Bin Laden – Group	Premium written	103,923	28,524		
	Payments received and claims paid	(18,400)	(10,419)	202,524	117,001
CPC	Premium written	5,556	4,542		
	Payments received and claims paid	(606)	(1,711)	24,123	19,174
UCA Lebanon	Payment received	-	-	-	-
Associates					
Najm for Insurance services		-	-	(270)	(270)
Entities controlled, jointly controlled or significantly influenced by related parties					
United Commercial Agencies	Premium written	-	26	-	
	Payment made on behalf of company	-	(3)	847	847
UCA Workshop	Premium written	-	-	-	
	Payments received and claims paid /				
	Payment made	-	-	-	-
	Claims settled	-	-	-	-
	Payment made	-	-	(3)	(3)
Law Office of Hassan Mahassni	Premium written	654	-	-	
	Payments received and claims paid	(142)	-	644	132
Middle East Group	Premium written	-	-	-	
	Payments received and claims paid	-	-	-	1

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

12. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

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

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the period / year ended 31 March 2020 and 31 December 2019

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	1,300	1,302
End of service indemnities	53	976
	<u>1,353</u>	<u>2,278</u>
Remuneration to those charged with governance	<u>270</u>	<u>211</u>

13. ZAKAT AND INCOME TAX

a. Charge for the 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 and income tax payable is as follows:

Movements in zakat provision during the period / year

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	SAR'000	
Balance at the beginning of the period / year	28,136	21,788
Charge for the period / year	1,900	7,900
Paid during the period / year	-	(1,552)
Balance at the end of the period / year	<u>30,036</u>	<u>28,136</u>

The movement in the Income tax payable is as follows:

Movements in income tax provision during the period / year

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	SAR'000	
Balance at the beginning of the period / year	800	700
Charge for the period / year	100	100
Balance at the end of the period / year	<u>900</u>	<u>800</u>

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.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

13. ZAKAT AND INCOME TAX – (continued)

b. Status of zakat assessments

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2018 and obtained restricted zakat certificates.

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. In 2017, the Company had issued a bank guarantee in favour of GAZT amounting to SR 22.096 million (2018: SR 22.096 million) (note 9).

During the year, GAZT has issued assessment for the years 2012 and 2013 claiming additional Zakat and Tax liability of SR 15.84 million. The management believes that the existing provision for zakat and tax is sufficient. However, the Company objected against the assessment and are planning to meet the Dispute Resolution Committee to assign a date and reach to final settlement.

GAZT has not yet raised assessments for the years from 2014 to 2018. The Zakat is applicable on 99% of the shareholders while Income Tax on 1% of the shareholders.

14. SHARE CAPITAL

The authorized and issued share capital of the Company was SAR 490,000,000 divided into 49,000,000 ordinary shares of SAR 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 SAR 490,000,000 to SAR 400,000,000 divided into 40,000,000 shares. In an extraordinary 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 SAR 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 was to restructure the capital position of the Company in line with the Company's Law. There was no impact of capital reduction on the Company's financial obligations.

As at 31 March 2020, the authorized, subscribed and paid up share capital of the Company is SAR 400,000,000, divided into 40,000,000 shares of SAR 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.

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

16. 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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17. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
ASSETS						
Cash and cash equivalents	79,762	1,587	81,349	216,199	41,454	257,653
Short term deposits	23,496	-	23,496	23,496	-	23,496
Premiums and reinsurers' receivable – net	352,308	-	352,308	202,452	-	202,452
Reinsurers' share of unearned premiums	272,642	-	272,642	137,914	-	137,914
Reinsurers' share of outstanding claims	36,195	-	36,195	45,581	-	45,581
Reinsurers' share of claims incurred but not reported	119,915	-	119,915	112,881	-	112,881
Deferred policy acquisition costs	12,438	-	12,438	6,444	-	6,444
Investments	119,524	231,920	351,444	227	190,721	190,948
Due from Insurance operations	-	29,327	29,327	-	33,493	33,493
Prepaid expenses and other assets	44,483	3,225	47,708	36,685	1,071	37,756
Property and equipment	6,572	-	6,572	7,008	-	7,008
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	-	4,301	4,301	-	3,824	3,824
	1,067,335	408,760	1,476,095	788,887	408,963	1,197,850
Less: Inter-operations eliminations	-	(29,327)	(29,327)	-	(33,493)	(33,493)
TOTAL ASSETS	1,067,335	379,433	1,446,768	788,887	375,470	1,164,357

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FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – continued

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
LIABILITIES						
Policyholders claims payable	2,749	-	2,749	13,419	-	13,419
Accrued and other liabilities	75,585	467	76,052	66,957	497	67,454
Reinsurers' balances payable	270,246	-	270,246	178,413	-	178,413
Unearned premiums	338,747	-	338,747	163,093	-	163,093
Unearned reinsurance commission	42,839	-	42,839	27,769	-	27,769
Outstanding claims	55,183	-	55,183	66,652	-	66,652
Claims incurred but not reported	167,020	-	167,020	162,673	-	162,673
Premium deficiency reserve	21,419	-	21,419	18,760	-	18,760
Other technical reserves	8,740	-	8,740	9,604	-	9,604
Due to shareholders' operations	29,327	-	29,327	33,493	-	33,493
Due to a related party	-	270	270	-	270	270
Employees' defined benefit obligations	8,746	-	8,746	9,475	-	9,475
Insurance operations' surplus	37,053	-	37,053	37,053	-	37,053
Fair value reserve on investments	8,170	-	8,170	15	-	15
Zakat and income tax	-	30,936	30,936	-	28,936	28,936
Accrued commission income on statutory deposit payable to SAMA	-	4,301	4,301	-	3,824	3,824
	1,065,824	35,974	1,101,798	787,376	33,527	820,903
Less: Inter-operations eliminations	(29,327)	-	(29,327)	(33,493)	-	(33,493)
TOTAL LIABILITIES	1,036,497	35,974	1,072,471	753,883	33,527	787,410
SHAREHOLDERS' EQUITY						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	31,944	31,944	-	31,944	31,944
Accumulated losses	-	(69,235)	(69,235)	-	(64,145)	(64,145)
Fair value reserve on investments	-	10,077	10,077	-	7,637	7,637
TOTAL SHAREHOLDERS' EQUITY	-	372,786	372,786	-	375,436	375,436
Re-measurement reserve of employees' defined benefit obligations	1,511	-	1,511	1,511	-	1,511
TOTAL EQUITY	1,511	372,786	374,297	1,511	375,436	376,947
TOTAL LIABILITIES AND EQUITY	1,038,008	408,760	1,446,768	755,394	408,963	1,164,357
COMMITMENTS AND CONTINGENCIES			23,496			23,496

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2020 Total	Insurance operations	Share-holders' operations	2019 Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	240,646	-	240,646	114,411	-	114,411
	240,646	-	240,646	114,411	-	114,411
Reinsurance premiums ceded						
- Local	(9,948)	-	(9,948)	(4,151)	-	(4,151)
- Foreign	(174,162)	-	(174,162)	(92,964)	-	(92,964)
	(184,110)	-	(184,110)	(97,115)	-	(97,115)
Excess of loss expenses						
- Local	(171)	-	(171)	(63)	-	(63)
- Foreign	(968)	-	(968)	(515)	-	(515)
	(1,139)	-	(1,139)	(578)	-	(578)
<i>Net premiums written</i>	55,397	-	55,397	16,718	-	16,718
Changes in unearned premiums, net	(40,926)	-	(40,926)	7,341	-	7,341
<i>Net premiums earned</i>	14,471	-	14,471	24,059	-	24,059
Reinsurance commissions earned	7,159	-	7,159	10,079	-	10,079
TOTAL REVENUES	21,630	-	21,630	34,138	-	34,138
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	20,006	-	20,006	41,670	-	41,670
Reinsurers' share of claims paid	(8,522)	-	(8,522)	(24,862)	-	(24,862)
<i>Net claims</i>	11,484	-	11,484	16,808	-	16,808
Changes in outstanding claims, net	(2,083)	-	(2,083)	437	-	437
Changes in claims incurred but not reported, net	(2,687)	-	(2,687)	(6,015)	-	(6,015)
<i>Net claims incurred</i>	6,714	-	6,714	11,230	-	11,230
Premium deficiency reserve	2,658	-	2,658	6,727	-	6,727
Other technical reserves	(863)	-	(863)	(6,347)	-	(6,347)
Policy acquisition costs	2,410	-	2,410	2,190	-	2,190
Other underwriting expenses	556	-	556	838	-	838
TOTAL UNDERWRITING COSTS AND EXPENSES	11,475	-	11,475	14,638	-	14,638
NET UNDERWRITING RESULT	10,155	-	10,155	19,500	-	19,500

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – continued

	Three-months period ended 31 March (Unaudited)					
	Insurance operations	Share-holders' operations	2020 Total	Insurance operations	Share-holders' operations	2019 Total
	SAR'000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
General and administrative expenses	(19,593)	(259)	(19,852)	(29,101)	(246)	(29,347)
Release of provision for doubtful debts	4,313	-	4,313	672	-	672
Board remuneration	-	(270)	(270)	-	(211)	(211)
Amortization of held to maturity investments	-	-	-	51	47	98
Commission income on investments	495	1,428	1,923	2,033	1,654	3,687
Realized loss on investments	-	-	-	(14)	(284)	(298)
Other income	641	-	641	370	-	370
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(14,144)	899	(13,245)	(25,989)	960	(25,029)
(LOSS) / INCOME FOR THE PERIOD	(3,989)	899	(3,090)	(6,489)	960	(5,529)
SHAREHOLDERS' ABSORPTION OF LOSS	3,989	(3,989)	-	6,489	(6,489)	-
NET RESULT FOR THE PERIOD AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND INCOME TAX	-	(3,090)	(3,090)	-	(5,529)	(5,529)
Zakat for the period	-	(1,900)	(1,900)	-	(950)	(950)
Income tax for the period	-	(100)	(100)	-	(50)	(50)
	-	(2,000)	(2,000)	-	(1,000)	(1,000)
NET LOSS FOR THE PERIOD	-	(5,090)	(5,090)	-	(6,529)	(6,529)
<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) – restated – 2019		(0.13)			(0.16)	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim statement of comprehensive income

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2020 Total	Insurance operations	Share-holders' operations	2019 Total
	SAR'000					
NET LOSS FOR THE PERIOD	-	(5,090)	(5,090)	-	(6,529)	(6,529)
Other comprehensive income / (loss)						
<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	8,155	2,440	10,595	86	176	262
- Net amounts transferred to statement of income	-	-	-	14	284	298
<u>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</u>	8,155	(2,650)	5,505	100	(6,069)	(5,969)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2020 Total	Insurance operations	Share-holders' operations	2019 Total
	SAR'000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat and income tax	-	(3,090)	(3,090)	-	(5,529)	(5,529)
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	663	-	663	368	-	368
Release of provision for doubtful debts	(4,313)	-	(4,313)	(672)	-	(672)
Realized loss on investments	-	-	-	14	284	298
Amortization of held to maturity investments	-	-	-	(51)	(47)	(98)
Provision for employees' defined benefit obligations	516	-	516	796	-	796
	(3,134)	(3,090)	(6,224)	455	(5,292)	(4,837)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	(145,543)	-	(145,543)	(33,334)	-	(33,334)
Reinsurers' share of unearned premiums	(134,728)	-	(134,728)	(27,937)	-	(27,937)
Reinsurers' share of outstanding claims	9,386	-	9,386	8,249	-	8,249
Reinsurers' share of claims incurred but not reported	(7,034)	-	(7,034)	25,964	-	25,964
Deferred policy acquisition costs	(5,994)	-	(5,994)	(168)	-	(168)
Prepaid expenses and other assets	(7,798)	(2,154)	(9,952)	(4,974)	(1,734)	(6,708)
Accrued commission on statutory deposit	-	(477)	(477)	-	(266)	(266)
Policyholders and accounts payables	(10,670)	-	(10,670)	(16,645)	-	(16,645)
Accrued and other liabilities	8,628	(29)	8,599	6,917	(59)	6,858
Reinsurers' balances payable	91,833	-	91,833	6,775	-	6,775
Unearned premiums	175,654	-	175,654	20,596	-	20,596
Unearned reinsurance commission	15,070	-	15,070	4,588	-	4,588
Outstanding claims	(11,469)	-	(11,469)	(7,812)	-	(7,812)
Claims incurred but not reported	4,347	-	4,347	(31,978)	-	(31,978)
Premium deficiency reserve	2,659	-	2,659	6,727	-	6,727
Other technical reserves	(864)	-	(864)	(6,347)	-	(6,347)
Accrued commission on statutory deposit payable to SAMA	-	477	477	-	266	266
Due to shareholders operations	(4,166)	-	(4,166)	(6,714)	-	(6,714)
Due from Insurance Operations	-	4,166	4,166	-	6,714	6,714
	(23,823)	(1,107)	(24,930)	(55,638)	(371)	(56,009)
Employees' defined benefit obligations paid	(1,245)	-	(1,245)	(4,384)	-	(4,384)
Net cash flows used in operating activities	(25,068)	(1,107)	(26,175)	(60,022)	(371)	(60,393)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows – continued

	<i>Three-months period ended 31 March (Unaudited)</i>					
	Insurance operations	Share-holders' operations	2020 Total	Insurance operations	Share-holders' operations	2019 Total
	SAR'000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(111,142)	(38,760)	(149,902)	(20,000)	-	(20,000)
Proceeds from sale of investments	-	-	-	3,758	13,265	17,023
Purchase of property and equipment	(227)	-	(227)	(2,056)	-	(2,056)
Net cash flows (used in) / from investing activities	(111,369)	(38,760)	(150,129)	(18,298)	13,265	(5,033)
Net change in cash and cash equivalents	(136,437)	(39,867)	(176,304)	(78,320)	12,894	(65,426)
Cash and cash equivalents, beginning of the period	216,199	41,454	257,653	88,477	1,056	89,533
Cash and cash equivalents, end of the period	79,762	1,587	81,349	10,157	13,950	24,107
NON-CASH INFORMATION						
Change in fair value of available-for-sale investments	8,155	2,440	10,595	100	460	560

18. COMPARATIVE FIGURES

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

a. Zakat:

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the three-months period ended 31 March 2019:

Account	Financial statement impacted	Balance previously reported	Effect of restatement	Balance restated
		SAR'000	SAR'000	SAR'000
Zakat	Interim condensed statement of income	-	(1,000)	(1,000)
Net income for the period	Interim condensed statement of income	(5,529)	(1,000)	(6,529)
Loss per share for the period	Interim condensed statement of income	(0.14)	(0.02)	(0.16)
Zakat	Interim condensed statement of changes in shareholders' equity	(1,000)	1,000	-
Total comprehensive income for the period	Interim condensed statements of comprehensive income and changes in shareholders' equity	(5,069)	(1,000)	(6,069)

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

19. SUBSEQUENT EVENT

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the "Decree") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial statements have not been adjusted.

20. IMPACT OF COVID-19 OUTBREAK

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 is in the process of establishing plans to address how it will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining our services to clients and other stakeholders. This necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like investments, insurance claims, recoverability of assets, travel restrictions, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates.

Although no material claims have been reported at this stage, the Company is closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions or of a slowdown in the flow of people, goods and services, especially on new business volumes, (iii) the extent of reinsurance coverage impacted, including retrocession cover, and (iv) change in asset prices and financial conditions.

Further, the Company's business remains largely unaffected as the insurance industry is facilitated by the Government through free treatments of the COVID-19 affected patients. Based on these factors, the Company's management believes that the COVID-19 pandemic has had no direct material effects on Company's reported results for the quarter ended 31 March 2020 since the insurance industry is facilitated by the Government through free treatments of the COVID-19 affected patients. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 16 Shawwal 1441H, corresponding to 08 June 2020.