

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

FOR THE THREE AND TWELVE MONTH PERIODS ENDED
31 DECEMBER 2016

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016**

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PKF - CONSULTANTS - ZAKAT & TAX

Al-Bassam & Al-Nemer
Allied Accountants
(Member firm of PKF International)



INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To the Shareholders of
Saudi United Cooperative Insurance Company (WALA'A)
(A Saudi Joint Stock Company)

Scope of limited review

We have reviewed the accompanying interim statement of financial position of Saudi United Cooperative Insurance Company – (WALA'A) (a Saudi Joint Stock Company) (the "Company") as at 31 December 2016, and the related interim statements of insurance operations, shareholders' operations, shareholders' comprehensive income for the three and twelve month periods then ended, and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

Emphasis of Matter

As disclosed in Note 2, these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

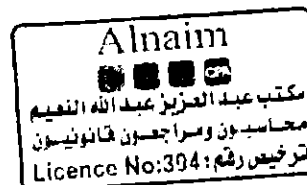
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18 January 2017
20 Rabi II 1438H

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 SR (Un-audited)	31 December 2015 SR (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	594,417,666	373,227,369
Premiums and insurance balances receivable - net	4	108,618,465	112,800,451
Reinsurers' share of unearned premiums	6	136,567,861	118,439,083
Reinsurers' share of outstanding claims	6	150,768,131	176,953,817
Deferred policy acquisition costs	6	32,539,705	22,812,919
Due from shareholders' operations		-	1,250,230
Prepaid expenses and other assets		43,723,891	33,629,989
Property and equipment		9,699,592	4,826,676
TOTAL INSURANCE OPERATIONS' ASSETS		1,076,335,311	843,940,534
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	289,937,528	213,979,283
Statutory deposit	8	40,000,000	40,000,000
Accrued commission on statutory deposit		2,141,976	1,350,228
Accrued commission income		-	534,935
Available-for-sale investments	7	109,622,059	84,725,686
Due from insurance operations		19,858,373	-
TOTAL SHAREHOLDERS' ASSETS		461,559,936	340,590,132
TOTAL ASSETS		1,537,895,247	1,184,530,666

Shaban

(A) Chief Financial Officer

J. Al

Chief Executive Officer

[Signature]

Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2016

		31 December 2016 SR (Un-audited)	31 December 2015 SR (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Unearned premiums	6	495,320,464	349,482,711
Outstanding claims	6	430,279,310	359,011,104
Additional premium reserves	6	753,096	36,857,733
Other technical reserves	6	10,470,386	5,554,502
Accrued and other liabilities		74,961,335	64,768,393
Reinsurance balances payable		15,668,443	10,015,562
Due to shareholders' operations		19,858,373	-
Unearned reinsurance commission	6	7,209,372	10,279,353
End-of-service indemnities		7,267,787	5,823,730
Total insurance operations' liabilities		1,061,788,566	841,793,088
Insurance operations' surplus		14,546,745	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		1,076,335,311	843,940,534
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		23,930,265	15,315,895
Commission on statutory deposit payable		2,141,976	1,350,228
Due to insurance operations		-	1,250,230
		26,072,241	17,916,353
Shareholders' equity			
Share capital	10	400,000,000	400,000,000
Share premium		30,107,690	30,107,690
Statutory reserve	9	5,975,767	-
Retained earnings/(accumulated losses)		23,903,066	(78,438,710)
Fair value reserve		(24,498,828)	(28,995,201)
Total shareholders' equity		435,487,695	322,673,779
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		461,559,936	340,590,132
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,537,895,247	1,184,530,666

Shaker
(A) Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016

	Note	Three month period ended 31 December 2016 SR (Un-audited)	Three month period ended 31 December 2015 SR (Un-audited)	Twelve month period ended 31 December 2016 SR (Un-audited)	Twelve month period ended 31 December 2015 SR (Audited)
REVENUES					
Gross premiums written	5, 6	263,774,868	128,515,825	1,016,608,255	752,993,202
Less: Reinsurance premiums ceded		(91,896,048)	(20,184,960)	(250,928,979)	(213,645,813)
Net premiums written	6	171,878,820	108,330,865	765,679,276	539,347,389
Changes in unearned premiums, net		19,082,458	43,357,868	(127,708,975)	(90,682,330)
Net premiums earned	6	190,961,278	151,688,733	637,970,301	448,665,059
Reinsurance commission	6	7,000,488	4,153,178	20,347,401	18,114,883
Other underwriting income	6	2,850,355	1,144,195	4,995,002	2,606,096
Total revenue		200,812,121	156,986,106	663,312,704	469,386,038
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		123,761,819	91,561,524	363,641,185	382,415,280
Reinsurers' share of claims paid		(30,866,112)	(22,450,111)	(55,139,142)	(89,489,072)
Net claims paid		92,895,707	69,111,413	308,502,043	292,926,208
Changes in outstanding claims, net		67,597,972	50,817,358	97,453,892	90,043,671
Net incurred claims	6	160,493,679	119,928,771	405,955,935	382,969,879
Changes in additional premium reserves	6	(36,104,637)	(2,647,720)	(36,104,637)	9,495,087
Changes in other technical reserves	6	4,915,884	4,333,474	4,915,884	5,154,502
Policy acquisition costs		18,551,614	13,677,091	62,381,137	45,268,064
Excess of loss expenses		3,723,285	1,751,396	10,880,595	12,965,069
Other underwriting expenses		9,338,765	4,610,751	28,772,730	18,592,473
Total underwriting costs and expenses		160,918,590	141,653,763	476,801,644	474,445,074
Net underwriting income (loss)		39,893,531	15,332,343	186,511,060	(5,059,036)
OTHER OPERATING EXPENSES, NET					
Operating and administrative salaries		(11,304,603)	(6,123,505)	(44,085,581)	(34,794,611)
General and administrative expenses		(5,385,202)	(65,026)	(24,757,144)	(19,426,138)
Commission income on bank deposits	6	2,196,051	-	6,324,652	12,188
Total other operating expenses, net		(14,493,754)	(6,188,531)	(62,518,073)	(54,208,561)
Net surplus (deficit) from insurance operations		25,399,777	9,143,812	123,992,987	(59,267,597)
Shareholders' (appropriation of surplus) absorption of deficit		(22,859,799)	(9,143,812)	(111,593,688)	59,267,597
Net result from insurance operations after shareholders' (appropriation of surplus) absorption of deficit		2,539,978	-	12,399,299	-
Insurance operations' surplus, beginning of the period		12,006,767	2,147,446	2,147,446	2,147,446
Insurance operations' surplus, end of the period		14,546,745	2,147,446	14,546,745	2,147,446

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016

Note	Three month period ended 31 December 2016	Three month period ended 31 December 2015	Twelve month period ended 31 December 2016	Twelve month period ended 31 December 2015
	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Net surplus (deficit) transferred from insurance operations	22,859,799	9,143,812	111,593,688	(59,267,597)
Commission income on bank deposits	1,929,278	882,977	6,225,046	1,307,320
Dividends and realized gains on available-for-sale investments	2,335,199	-	2,719,815	2,319,645
General and administrative expenses	(800,001)	1,663,132	(3,221,002)	(624,370)
Net profit (loss) for the period	26,324,275	11,689,921	117,317,547	(56,265,002)
Basic and diluted profit (loss) per share	0.66	0.29	2.93	(1.65)
Weighted average number of outstanding shares	40,000,000	40,000,000	40,000,000	34,093,151

Shaban

(A) Chief Financial Officer

[Signature]

Chief Executive Officer

[Signature]

Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016

		Three month period ended 31 December 2016 SR	Three month period ended 31 December 2015 SR	Twelve month period ended 31 December 2016 SR	Twelve month period ended 31 December 2015 SR
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)	
Shareholders' net profit (loss) for the period	26,324,275	11,689,921	117,317,547	(56,265,002)	
Provision for zakat and income tax	(3,000,001)	(999,998)	(9,000,004)	(3,999,996)	
Net profit (loss) for the period after Zakat and income tax	23,324,274	10,689,923	108,317,543	(60,264,998)	
Items that may subsequently be reclassified to the statement of shareholders' operations:					
Unrealized fair value changes on available- for-sale investment, net	18,198,970	(5,674,266)	4,496,373	(15,556,956)	
Total comprehensive profit (loss) for the period	41,523,244	5,015,657	112,813,916	(75,821,954)	
Basic and diluted profit (loss) per share	11 1.04	0.13	2.82	(2.22)	
Weighted average number of outstanding shares	40,000,000	40,000,000	40,000,000	34,093,151	

Shahin
 (A) Chief Financial Officer

JH
 Chief Executive Officer

[Signature]
 Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2016

	Share capital SR	Share premium SR	Statutory reserve SR	Retained earnings/ (Accumulated losses) SR	Fair value reserve SR	Total SR
Balance at 1 January 2015 (Audited)	200,000,000	-	-	(18,173,712)	(13,438,245)	168,388,043
Shareholders' net loss for the period	-	-	-	(56,265,002)	-	(56,265,002)
Additional capital introduced	200,000,000	-	-	-	-	200,000,000
Premium on additional capital	-	40,000,000	-	-	-	40,000,000
Cost of right issue	-	(9,892,310)	-	-	-	(9,892,310)
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	(15,556,956)	(15,556,956)
Provision for zakat and income tax	-	-	-	(3,999,996)	-	(3,999,996)
Balance at 31 December 2015 (Audited)	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Balance at 1 January 2016 (Audited)	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Shareholders' net profit for the period	-	-	-	117,317,547	-	117,317,547
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	4,496,373	4,496,373
Transfer to statutory reserve	-	-	5,975,767	(5,975,767)	-	-
Provision for zakat and income tax	-	-	-	(9,000,004)	-	(9,000,004)
Balance at 31 December 2016 (Un-audited)	400,000,000	30,107,690	5,975,767	23,903,066	(24,498,828)	435,487,695

Shaban

(A) Chief Financial Officer

[Signature]

Chief Executive Officer

[Signature]

Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2016

	Note	Twelve month period ended 31 December 2016 SR (Un-audited)	Twelve month period ended 31 December 2015 SR (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		12,399,299	-
Adjustments for:			
Depreciation		2,360,269	2,141,739
Additional premium reserves		(36,104,637)	9,495,087
Other technical reserves		4,915,884	5,154,502
Allowance for doubtful debts		2,565,459	2,600,405
End-of-service indemnities, net		1,444,057	1,619,206
		(12,419,669)	21,010,939
Changes in operating assets and liabilities:			
Due from shareholders' operations		21,108,603	(13,279)
Premiums and insurance balances receivable		1,616,527	(12,501,492)
Reinsurers' share of unearned premiums		(18,128,778)	518,976
Reinsurers' share of outstanding claims		26,185,686	62,825,961
Deferred policy acquisition costs		(9,726,786)	(7,274,103)
Prepaid expenses and other assets		(10,093,902)	(23,233,278)
Accrued commission income		-	74,063
Unearned premiums		145,837,753	90,163,354
Outstanding claims		71,268,206	27,217,710
Unearned reinsurance commission		(3,069,981)	1,270,497
Reinsurance balances payable		5,652,881	(14,136,736)
Accrued and other liabilities		10,192,942	17,721,528
Net cash generated from operating activities		228,423,482	163,644,140
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property and equipment		(7,233,185)	(1,395,105)
Net cash used in investing activity		(7,233,185)	(1,395,105)
Net change in cash and cash equivalents		221,190,297	162,249,035
Cash and cash equivalents at the beginning of the period		373,227,369	210,978,334
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	594,417,666	373,227,369

Shaker
 (A) Chief Financial Officer

[Signature]
 Chief Executive Officer

[Signature]
 Director

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2016

	Note	Twelve month period ended 31 December 2016 SR (Un-audited)	Twelve month period ended 31 December 2015 SR (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) for the period		117,317,547	(56,265,002)
Adjustments for:			
Commission income on bank deposits		(6,225,046)	(1,307,320)
Dividends and realized gains on available-for-sale investments		(2,719,815)	(2,319,645)
		<u>108,372,686</u>	<u>(59,891,967)</u>
<u>Changes in operating assets and liabilities:</u>			
Due from/ (to) insurance operations		(21,108,603)	13,279
Accrued commission on statutory deposit		(791,748)	
Prepaid expenses and other assets		-	1,139,024
Commission on statutory deposit payable		791,748	
Accrued and other liabilities		222,171	(1,107,884)
Cash generated from / (used in) operations		<u>87,486,254</u>	<u>(59,847,548)</u>
Zakat and income tax paid		(607,805)	(1,206,084)
Net cash generated from / (used in) operating activities		<u>86,878,449</u>	<u>(61,053,632)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Movement in other financial assets, net		(20,400,000)	(20,997,809)
Commission, dividend received and realized fair value changes		9,479,796	2,823,081
Net cash used in investing activities		<u>(10,920,204)</u>	<u>(18,174,728)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase of share capital		-	200,000,000
Share premium, net		-	30,107,690
Statutory deposit, net		-	(20,000,000)
Net cash generated from financing activities		<u>-</u>	<u>210,107,690</u>
Net change in cash and cash equivalents		<u>75,958,245</u>	<u>130,879,330</u>
Cash and cash equivalents at the beginning of the period		<u>213,979,283</u>	<u>83,099,953</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>289,937,528</u>	<u>213,979,283</u>
<u>Non-cash transactions:</u>			
Unrealized fair value changes on available-for-sale investments	7	4,496,373	(15,556,956)
Provision for zakat and income tax		(9,000,004)	(3,999,996)

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Saudi United Cooperative Insurance Company (Wala'a) ("the Company") is a Saudi Joint Stock Company established in Al Khobar, Kingdom of Saudi Arabia and incorporated on 19 Jumada II 1428H corresponding to July 4, 2007 under Commercial Registration No. 2051034982.

The principal activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and its implementing regulations in the Kingdom of Saudi Arabia. The Company was granted the license (number TMN/16/2008) to practice general and medical insurance and re-insurance business from the Saudi Arabian Monetary Agency (SAMA) on 28 Jumada II 1429H corresponding to July 2, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed financial statements for the three month and twelve month periods ended 31 December 2016 have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (IAS 34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia i.e. in accordance with the standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA).

These interim condensed financial statements include all transactions comprising mainly of normal recurring nature considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows.

These interim condensed financial statements have been prepared under historical cost convention, except for certain available-for-sale investments which are measured at fair value and are presented in Saudi Riyals, which is also the functional currency of the Company, and the presentation currency for these interim condensed financial statements.

The Saudi Arabian insurance regulations require separate accounts to be maintained for insurance operations and shareholders' activities. Also, as per the insurance implementing regulations, the shareholders of the Company are to receive 90% of the annual surplus from the insurance operations and the policyholders are to receive 10% or this percentage to be deducted from their next period's premiums. If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended December 31, 2015, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company. Although, these interim condensed financial statements should therefore be read in conjunction with the audited financial statements for the year ended December 31, 2015. The results of the interim periods are not indicative of the results of the full statutory financial year.

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

- Agriculture: Bearer Plants (Amendment to IAS 16 and 41), effective for annual period on or after 1 January 2016.
- IFRS 14 Regulatory Deferral Accounts, effective for annual period on or after 1 January 2016.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

- Accounting for acquisition of Interest in Joint Operations (Ammended to IFRS 11), effective for annual period on or after 1 January 2016.
- Classification of acceptable methods of depreciation and amortization (Ammended to IAS 16 and IAS38), effective for annual period on or after 1 January 2016.
- Equity method in separate financial statements (Amendment to IAS 27), effective for annual period on or after 1 January 2016.
- Sales or contribution of Assets between an Investor and its Associate or Joint Venture (Amended to IFRS 10 and IAS28), effective for annual period on or after 1 January 2016.
- Annual improvements to IFRSs 2012 – 2014 Cycle – various standards, effective for annual period on or after 1 January 2016.
- Investment Entities: Applying the consolidation exceptions (Amendment to IFRS 10, IFRS 12, IAS 28), effective for annual period on or after 1 January 2016.
- Disclosure initiative (Amendment to IAS 1), effective for annual period on or after 1 January 2016.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2017 and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2017:

- IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replace the existing guidance in IAS 39 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurements of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
- IFRS 16 Leases, effective for annual period on or after 1 January 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have significant impact on the interim condensed financial statements.

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after 1 January 2018.
- Disclosure initiative (Amendment to IAS 7), effective for annual period on or after 1 January 2018.
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) effective for annual period on or after 1 January 2017
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) effective for annual period on or after 31 December 2018.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Use of estimates in preparation of financial statements

The preparation of interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant financial impact on the interim condensed financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations.

3. CASH AND CASH EQUIVALENTS

Insurance operations

	31 December 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	594,350,666	373,160,369
	<u>594,417,666</u>	<u>373,227,369</u>

Shareholders' operations

	31 December 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Cash at banks	289,937,528	-
Deposits with banks	-	213,979,283
	<u>289,937,528</u>	<u>213,979,283</u>

Deposits with banks comprise of short term deposits having maturity periods of less than three months and have been placed with local banks.

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, Net

	31 December 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Premiums receivable	129,101,822	130,768,288
Insurance and reinsurance receivables	1,643,395	1,593,456
Less: Allowance for doubtful debts	(22,126,752)	(19,561,293)
	<u>108,618,465</u>	<u>112,800,451</u>

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5. RELATED PARTIES TRANSACTIONS

The significant transactions with related parties and the related approximate amounts during the period are as follows:

	31 December 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Gross premium received from directors and their related parties	3,656,074	9,692,077
Gross premium received from key management personnel	9,762	14,188
Gross claims paid to directors and their related parties	9,917,145	1,490,997
Compensation of key management personnel - other benefits	3,819,372	4,014,180

Balances due from (to) related parties are comprised of the following:

	31 December 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	(166,100)	677,790
Claims payable to directors and related parties	(482,797)	(8,322,769)

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6. SEGMENTAL INFORMATION

For management purposes, the Company is organized into business segments classified as: medical, motor, property, engineering and others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below.

- Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable - net, due from shareholders' operations, prepaid expenses and other assets, accrued commission income, property and equipment and intangible assets;
- Segment liabilities and surplus from insurance operations do not include accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and insurance operations' surplus; and
- Operating segments do not include shareholders' operations.
- Segment results do not include operating and administrative salaries and general and administrative expenses and these have been presented under unallocated expenses.

Operating segments

Insurance operations for the three month period ended 31 December 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	21,605,848	142,540,299	83,457,273	4,071,464	12,099,984	263,774,868
Net premiums written	21,605,848	142,526,963	1,520,822	637,432	5,587,755	171,878,820
Net premiums earned	39,234,230	135,380,431	1,260,140	1,310,847	13,775,630	190,961,278
Reinsurance commission	-	84,336	1,746,030	1,394,103	3,776,019	7,000,488
Other underwriting income	-	2,838,022	1,450	810	10,073	2,850,355
Net incurred claims	(22,709,688)	(131,833,195)	(1,219,324)	(242,635)	(4,488,837)	(160,493,679)
Other underwriting expenses	(7,097,176)	(17,342,405)	(1,205,897)	(1,138,881)	(4,829,305)	(31,613,664)
Changes in additional premium reserve	-	34,418,699	-	1,685,938	-	36,104,637
Change in other technical reserve	(1,031,472)	(6,521,306)	2,410,083	226,811	-	(4,915,884)
Unallocated expenses						(16,689,805)
Surplus from insurance operations						23,203,726
Commission income on bank deposits						2,196,051
Net surplus from insurance operations						25,399,777

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the twelve month period ended 31 December 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	148,903,280	572,264,561	161,358,515	48,399,044	85,682,855	1,016,608,255
Net premiums written	148,903,280	571,088,901	4,786,407	5,652,141	35,248,547	765,679,276
Net premiums earned	126,089,052	465,401,615	4,645,432	5,911,034	35,923,168	637,970,301
Reinsurance commission	-	234,363	7,612,520	5,761,006	6,739,512	20,347,401
Other underwriting income	-	4,934,889	7,945	4,920	47,248	4,995,002
Net incurred claims	(65,248,156)	(316,533,960)	(7,660,411)	(3,565,589)	(12,947,819)	(405,955,935)
Changes in additional premium reserves	-	34,418,701	-	1,685,936	-	36,104,637
Changes in other technical reserves	(1,031,472)	(6,521,306)	2,410,083	226,811	-	(4,915,884)
Other underwriting expenses	(20,508,469)	(63,324,394)	(4,749,882)	(4,537,243)	(8,914,474)	(102,034,462)
Unallocated expenses						(68,842,725)
Surplus from insurance operations						117,668,335
Commission income on bank deposits						6,324,652
Net surplus from insurance operations						123,992,987

Insurance operations' financial position as at 31 December 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	99,774,091	22,152,262	14,641,508	136,567,861
Reinsurers' share of outstanding claims	8,584	1,022,508	86,308,035	61,453,912	1,975,092	150,768,131
Deferred policy acquisition costs	4,969,469	23,319,228	1,277,179	417,314	2,556,515	32,539,705
Unallocated assets						756,459,614
Total assets						1,076,335,311
Insurance operations' liabilities						
Unearned premiums	60,879,445	281,569,637	101,676,418	25,128,737	26,066,227	495,320,464
Outstanding claims	47,302,811	205,619,290	95,093,924	64,617,611	17,645,674	430,279,310
Additional premium reserves	-	-	-	753,096	-	753,096
Other technical reserves	2,118,572	7,627,810	229,787	494,217	-	10,470,386
Unearned reinsurance commission	-	-	2,925,120	2,639,231	1,645,021	7,209,372
Unallocated liabilities and surplus						132,302,683
Total insurance operations liabilities and surplus						1,076,335,311

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the three month period ended 31 December 2015 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	21,275,796	78,727,641	3,788,106	10,095,899	14,628,383	128,515,825
Net premiums written	21,275,796	78,715,361	873,289	(415,015)	7,881,434	108,330,865
Net premium earned	16,241,210	120,113,291	1,255,954	137,661	13,940,617	151,688,733
Reinsurance commission	-	72,630	2,571,541	1,120,684	388,323	4,153,178
Other underwriting income	-	1,126,225	1,575	1,415	14,980	1,144,195
Net incurred claims	(9,279,066)	(102,299,859)	(82,215)	(2,308,687)	(5,958,944)	(119,928,771)
Changes in additional premium reserves	-	3,823,106	-	(1,175,386)	-	2,647,720
Changes in other technical reserves	(1,087,100)	(1,106,504)	(2,139,870)	-	-	(4,333,474)
Other underwriting expenses	(3,120,035)	(12,432,222)	(1,431,559)	(819,954)	(2,235,468)	(20,039,238)
Unallocated expenses						(6,188,531)
Surplus from insurance operations						9,143,812
Commission income on bank deposits						-
Net surplus from insurance operations						9,143,812

Insurance operations for the twelve month period ended 31 December 2015 (Audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	68,813,083	421,246,613	122,505,567	76,806,804	63,621,135	752,993,202
Net premiums written	68,813,083	419,936,897	6,427,434	5,760,000	38,409,975	539,347,389
Net premium earned	53,909,634	347,661,956	6,417,604	4,900,099	35,775,766	448,665,059
Reinsurance commission	-	261,944	9,843,596	6,581,008	1,428,335	18,114,883
Other underwriting income	-	2,527,033	10,390	6,770	61,903	2,606,096
Net incurred claims	(25,536,204)	(331,915,206)	(4,676,988)	(2,847,879)	(17,993,602)	(382,969,879)
Changes in additional premium reserves	-	(9,495,087)	-	-	-	(9,495,087)
Changes in other technical reserves	(1,087,100)	(1,106,504)	(2,239,870)	(721,028)	-	(5,154,502)
Other underwriting expenses	(10,735,076)	(50,085,328)	(5,387,398)	(4,052,037)	(6,565,767)	(76,825,606)
Unallocated expenses						(54,220,749)
Deficit from insurance operations						(59,279,785)
Commission income on bank deposits						12,188
Net deficit from insurance operations						(59,267,597)

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations' financial position as at 31 December 2015 (Audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	53,037,306	52,141,226	13,260,551	118,439,083
Reinsurers' share of outstanding claims	-	462,062	134,304,790	39,261,670	2,925,295	176,953,817
Deferred policy acquisition costs	2,837,629	13,775,437	1,724,584	2,445,082	2,030,187	22,812,919
Unallocated assets						525,734,715
Total insurance operations' assets						843,940,534
Insurance operations' liabilities and surplus						
Unearned premiums	38,065,218	175,882,354	54,798,658	55,376,593	25,359,888	349,482,711
Outstanding claims	13,480,728	141,660,409	141,899,476	43,630,026	18,340,465	359,011,104
Additional premium reserves	-	34,418,701	-	2,439,032	-	36,857,733
Other technical reserves	1,087,100	1,106,504	2,639,870	721,028	-	5,554,502
Unearned reinsurance commission	-	-	3,622,831	5,704,513	952,009	10,279,353
Unallocated liabilities and surplus						82,755,131
Total insurance operations' liabilities and surplus						843,940,534

Geographical distributions

All of the significant assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for a minor portion of the reinsurance assets / liabilities which are held outside the Kingdom of Saudi Arabia.

7. INVESTMENTS

Available-for-sale investments

Available-for-sale- investments include the following:

	31 December 2016 SR (Un-audited)	31 December 2015 SR (Audited)
Quoted securities	106,898,981	82,802,608
Unquoted securities	2,723,078	1,923,078
	109,622,059	84,725,686

Movement in available-for-sale investments is as follows:

	31 December 2016 SR (Un-audited)	31 December 2015 SR (Audited)
Beginning of period / year	84,725,686	79,284,833
Purchases and dividends reinvested	50,400,000	26,678,032
Disposals	(30,000,000)	(5,680,223)
Unrealized fair value changes	4,496,373	(15,556,956)
Ending of period / year	109,622,059	84,725,686

Gains realized on sale of available for sale investments during the year ended 31 December 2016 amounted to SR 2.3 million (2015:2.3 million) and dividend collection amounted to SR. 0.3 million.

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8. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. This statutory deposit cannot be withdrawn without the consent of SAMA.

9. STATUTORY RESERVE

In accordance with the Law, the Company is required to transfer not less than 20% of its annual profits after adjusting accumulated losses, if any, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company.

10. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is Saudi Riyal 400 million at the period end and consisting of 40 million shares of Saudi Riyal 10 each.

On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 200 million, by way of issuance of right shares to its existing shareholders. On March 2, 2015 the Company obtained approval from the Capital Market Authority (CMA) to increase its share capital by way of rights issue valued at SR 200 million with share premium of SR 40 million. The shareholders approved rights issue of SR 200 million in the extra-ordinary general meeting held on 27 April 2015 corresponding to 8 Rajab 1436H. As approved by the regulators and shareholders, 20 million ordinary shares were offered at an exercise price of SR 12 per share, the subscription period for which started on 5 May 2015 and ended on 25 May 2015. The legal formalities have been completed and the share capital has been increased from SR 200 Million to SR 400 Million.

11. BASIC AND DILUTED PROFIT (LOSS) PER SHARE

Basic and diluted profit (loss) per share from shareholders' operations and shareholders' comprehensive income (loss) are calculated by dividing net profit (loss) for the periods by the weighted average number of ordinary shares outstanding during the periods.

The weighted average number of shares has been computed as required by IAS 33 "Earnings per share" as follows:

	31 December 2016	31 December 2015
	(Un-audited)	(Audited)
Issued ordinary shares as at 1 January	40,000,000	20,000,000
Effect of right share issue	-	14,093,151
	<u>40,000,000</u>	<u>34,093,151</u>

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The Company's financial assets consist of cash and cash equivalents, other financial assets and other assets and its financial liabilities consist of payable, accrued and other liabilities.

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

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking)

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 technique for which any significant input is not based on observable market data.

The table below presents the financial assets which are carried at fair values as at 31 December 2016 and 31 December 2015 based on their value hierarchy:

As at 31 December 2016 (Un-audited)

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial instruments				
Investments Available-for-sale				
Equity securities	106,898,981	-	2,723,078	109,622,059
Total	106,898,981	-	2,723,078	109,622,059

As at 31 December 2015 (Audited)

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial instruments				
Available-for-sale investments				
Equity securities	82,802,608	-	1,923,078	84,725,686
Total	82,802,608	-	1,923,078	84,725,686

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting Periods.

During the twelve month period ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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13. CONTINGENCIES

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company's income or financial condition.

14. RESULTS OF THE INTERIM PERIOD

The results of the interim period are not an indication of the results of the full statutory financial year.

15. COMPARATIVE FIGURES

Certain of the comparative period amounts have been reclassified to conform to the presentation in the current period.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 16 January 2017 corresponding to 18 Rabi II 1438H.