

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 MONTHS AND SIX MONTHS PERIOD ENDED
30 JUNE 2016**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDTORS' LIMITED REVIEW REPORT
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

INDEX	PAGE
Independent auditors' limited review report	1
Interim condensed statement of financial position	2 - 3
Interim condensed statement of insurance operations	4
Interim condensed statement of shareholders' operations	5
Interim condensed statement of shareholders' comprehensive income	6
Interim condensed statement of changes in shareholders' equity	7
Interim condensed statement of insurance operations' cash flows	8
Interim condensed statement of shareholders' operations' cash flows	9
Notes to the interim condensed financial statements	10 - 20

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 condensed statement of financial position of Saudi United Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 June 2016, and the related interim condensed statements of insurance operations, shareholders' operations, shareholders' comprehensive income for the three months and six months period then ended, and the interim condensed statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the six months period ended 30 June 2016 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

We draw attention to Note 2 to the accompanying interim condensed financial statements. 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.

For PKF Al Bassam & Al Nemer
Allied Accountants

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License Number 337
P.O. Box 4636
Al Khobar 31952, Saudi Arabia



For Abdulaziz A. Alnaim
Certified Public Accountants

Abdulaziz A. Al Naim
Certified Public Accountant
License Number 394
P.O. Box 26991
Riyadh 11496, Saudi Arabia



24 July 2016
19 Shawwal 1437H

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		30 June 2016	31 December 2015
	Note	SR	SR
		(Un-audited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	500,779,656	373,227,369
Premiums and insurance balances receivable - net	4	159,442,475	112,800,451
Reinsurers' share of unearned premiums	6	79,766,130	118,439,083
Reinsurers' share of outstanding claims	6	173,169,876	176,953,817
Deferred policy acquisition costs	6	33,133,796	22,812,919
Due from shareholders' operations		-	1,250,230
Prepaid expenses and other assets		41,674,499	33,629,989
Accrued commission income		1,340,000	-
Property and equipment		4,998,995	4,826,676
TOTAL INSURANCE OPERATIONS' ASSETS		994,305,427	843,940,534
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	215,854,932	213,979,283
Statutory deposit	8	40,000,000	40,000,000
Accrued commission on statutory deposit		1,549,086	1,350,228
Accrued commission income		1,348,353	534,935
Available-for-sale investments	7	81,916,132	84,725,686
Due from insurance operations		47,456,492	-
TOTAL SHAREHOLDERS' ASSETS		388,124,995	340,590,132
TOTAL ASSETS		1,382,430,422	1,184,530,666


Chief Financial Officer


Chief Executive Officer


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 CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2016

		30 June 2016 SR	31 December 2015 SR
	Note	(Un-audited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Liabilities arising from insurance contracts:			
Unearned premiums	6	425,741,946	349,482,711
Outstanding claims	6	367,205,611	359,011,104
Total liabilities arising from insurance contracts		792,947,557	708,493,815
Additional premium reserves	6	36,857,733	36,857,733
Other technical reserves	6	5,554,502	5,554,502
Accrued and other liabilities		68,018,323	64,768,393
Reinsurance balances payable		20,970,746	10,015,562
Due to shareholders' operations		47,456,492	-
Unearned reinsurance commission	6	8,323,109	10,279,353
End-of-service indemnities		6,481,128	5,823,730
Total insurance operations' liabilities		986,609,590	841,793,088
Insurance operations' surplus		7,695,837	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		994,305,427	843,940,534
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		19,708,091	15,315,895
Commission on statutory deposit payable		1,549,086	1,350,228
Due to insurance operations		-	1,250,230
		21,257,177	17,916,353
Shareholders' equity			
Share capital	10	400,000,000	400,000,000
Share premium		30,107,690	30,107,690
Fair value reserve		(31,804,755)	(28,995,201)
Accumulated losses		(31,435,117)	(78,438,710)
Total shareholders' equity		366,867,818	322,673,779
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		388,124,995	340,590,132
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,382,430,422	1,184,530,666
CONTINGENCIES	13		

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 CONDENSED STATEMENT OF INSURANCE OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Note	Three months period ended 30 June 2016 SR (Un-audited)	Three months period ended 30 June 2015 SR (Un-audited)	Six months period ended 30 June 2016 SR (Un-audited)	Six months period ended 30 June 2015 SR (Un-audited)
REVENUES					
Gross premiums written	5, 6	222,329,976	199,437,264	484,390,396	396,666,102
Less: Reinsurance premiums ceded		(26,296,249)	(61,748,814)	(87,127,868)	(92,514,791)
Net premiums written	6	196,033,727	137,688,450	397,262,528	304,151,311
Changes in unearned premiums, net		(49,711,158)	(33,756,868)	(114,932,188)	(112,667,696)
Net premiums earned	6	146,322,569	103,931,582	282,330,340	191,483,615
Reinsurance commission	6	5,274,290	4,975,579	9,590,780	9,173,800
Other underwriting income	6	1,104,720	635,989	1,900,302	958,098
Total revenue		152,701,579	109,543,150	293,821,422	201,615,513
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		84,735,888	138,146,237	172,494,481	209,384,558
Reinsurers' share of claims paid		(13,402,427)	(60,648,953)	(22,368,955)	(64,351,180)
Net claims paid		71,333,461	77,497,284	150,125,526	145,033,378
Changes in outstanding claims, net		8,120,073	29,613,184	11,978,448	32,319,073
Net incurred claims	6	79,453,534	107,110,468	162,103,974	177,352,451
Changes in additional premium reserves	6	-	7,875,615	-	7,875,615
Changes in other technical reserves	6	-	100,000	-	100,000
Policy acquisition costs		14,094,795	10,629,766	26,961,080	19,825,796
Excess of loss expenses		1,630,056	4,828,106	3,260,112	6,588,940
Other underwriting expenses		6,659,811	5,522,921	12,596,337	9,284,861
Total underwriting costs and expenses		101,838,196	136,066,876	204,921,503	221,027,663
Net underwriting income (loss)		50,863,383	(26,523,726)	88,899,919	(19,412,150)
OTHER OPERATING EXPENSES, NET					
Operating and administrative salaries		(12,237,516)	(9,472,765)	(22,092,402)	(19,083,862)
General and administrative expenses		(6,321,674)	(5,949,476)	(13,094,157)	(11,865,590)
Commission income on bank deposits	6	1,499,721	-	1,770,555	12,188
Total other operating expenses, net		(17,059,469)	(15,422,241)	(33,416,004)	(30,937,264)
Net surplus (deficit) from insurance operations		33,803,914	(41,945,967)	55,483,915	(50,349,414)
Shareholders' (appropriation of surplus) absorption of deficit		(30,423,523)	41,945,967	(49,935,524)	50,349,414
Net result from Insurance operations after shareholders' (appropriation of surplus) absorption of deficit		3,380,391	-	5,548,391	-
Insurance operations' surplus, beginning of the period		4,315,446	2,147,446	2,147,446	2,147,446
Insurance operations' surplus, end of the period		7,695,837	2,147,446	7,695,837	2,147,446

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

4


Chief Financial Officer


Chief Executive Officer


Director

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

INTERIM CONDENSED STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

Note	Three months period ended 30 June 2016	Three months period ended 30 June 2015	Six months period ended 30 June 2016	Six months period ended 30 June 2015
	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net surplus (deficit) transferred from insurance operations	30,423,523	(41,945,967)	49,935,524	(50,349,414)
Commission income on bank deposits	1,028,786	174,331	2,689,067	174,331
Dividends and realized fair value changes on available-for-sale investments	-	2,126,075	-	2,319,645
General and administrative expenses	(858,499)	(762,501)	(1,620,997)	(1,525,002)
Net profit (loss) for the period	30,593,810	(40,408,062)	51,003,594	(49,380,440)
Basic and diluted profit (loss) per share - restated	0.76	(1.44)	1.28	(1.76)
Weighted average number of outstanding shares - restated	40,000,000	28,088,398	40,000,000	28,088,398


Chief Financial Officer


Chief Executive Officer


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 CONDENSED STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Three months period ended 30 June 2016 SR	Three months period ended 30 June 2015 SR	Six months period ended 30 June 2016 SR	Six months period ended 30 June 2015 SR
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' net profit (loss) for the period	30,593,810	(40,408,062)	51,003,594	(49,380,440)
Provision for zakat and income tax	(2,000,001)	(999,998)	(4,000,001)	(1,999,998)
Net profit (loss) for the period after Zakat and income tax	28,593,809	(41,408,060)	47,003,593	(51,380,438)
Items that may subsequently be reclassified to the statement of shareholders' operations:				
Unrealized fair value changes on available- for-sale investment, net	3,890,111	5,099,006	(2,809,554)	8,712,149
Total comprehensive profit (loss) for the period	32,483,920	(36,309,054)	44,194,039	(42,668,289)
Basic and diluted profit (loss) per share – restated	0.81	(1.29)	1.10	(1.52)
Weighted average number of outstanding shares – restated	40,000,000	28,088,398	40,000,000	28,088,398


Chief Financial Officer


Chief Executive Officer


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 CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Share capital SR	Share Premium SR	Fair value reserve SR	Accumulated losses SR	Total SR
Balance at 1 January 2015 (Audited)	200,000,000	-	(13,438,245)	(18,173,712)	168,388,043
Shareholders' net loss for the period	-	-	-	(49,380,440)	(49,380,440)
Additional capital introduced	200,000,000	-	-	-	200,000,000
Premium on additional capital	-	40,000,000	-	-	40,000,000
Cost of right issue	-	(9,457,486)	-	-	(9,457,486)
Unrealized fair value changes on available- for-sale investments, net	-	-	8,712,149	-	8,712,149
Provision for zakat and income tax	-	-	-	(1,999,998)	(1,999,998)
Balance at 30 June 2015 (Un-audited)	400,000,000	30,542,514	(4,726,096)	(69,554,150)	356,262,268
Balance at 1 January 2016 (Audited)	400,000,000	30,107,690	(28,995,201)	(78,438,710)	322,673,779
Shareholders' net profit for the period	-	-	-	51,003,594	51,003,594
Unrealized fair value changes on available- for-sale investments, net	-	-	(2,809,554)	-	(2,809,554)
Provision for Zakat and income tax	-	-	-	(4,000,001)	(4,000,001)
Balance at 30 June 2016 (Un-audited)	400,000,000	30,107,690	(31,804,755)	(31,435,117)	366,867,818


Chief Financial Officer


Chief Executive Officer


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 CONDENSED STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Six months period ended 30 June 2016 SR (Un-audited)	Six months period ended 30 June 2015 SR (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus (deficit) from insurance operations	5,648,391	(50,349,414)
Adjustments for:		
Depreciation	1,163,644	968,622
End-of-service indemnities, net	657,398	1,082,111
Loss on disposal of property and equipment	-	297
	<u>7,369,433</u>	<u>(48,298,384)</u>
Changes in operating assets and liabilities:		
Due from shareholders' operations	1,250,230	-
Due to shareholders' operations	47,456,492	(17,222,539)
Premiums and insurance balances receivable	(46,642,024)	(44,002,791)
Reinsurers' share of unearned premiums	38,672,953	24,935,392
Reinsurers' share of outstanding claims	3,783,941	65,124,693
Deferred policy acquisition costs	(10,320,877)	(9,972,789)
Prepaid expenses and other assets	(8,044,510)	215,910
Accrued commission income	(1,340,000)	74,063
Unearned premiums	76,259,235	87,451,737
Outstanding claims	8,194,507	(32,525,053)
Additional premium reserves	-	7,875,615
Other technical reserves	-	100,000
Unearned reinsurance commission	(1,956,244)	2,420,600
Reinsurance balances payable	10,955,184	14,120,025
Accrued and other liabilities	3,249,930	7,663,506
Net cash generated from operating activities	<u>128,888,250</u>	<u>57,959,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,335,963)	(933,906)
Proceeds from disposal of property and equipment	-	2,500
Net cash used in Investing activities	<u>(1,335,963)</u>	<u>(931,406)</u>
Net Increase In cash and cash equivalents	<u>127,552,287</u>	<u>57,028,579</u>
Cash and cash equivalents at the beginning of the period	<u>373,227,369</u>	<u>210,978,334</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3</u> <u>500,779,656</u>	<u>268,006,913</u>


Chief Financial Officer


Chief Executive Officer


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 CONDENSED STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Six months period ended 30 June 2016 SR	Six months period ended 30 June 2015 SR
Note	(Un-audited)	(Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	51,003,594	(49,380,440)
Adjustments for:		
Commission income	-	(174,331)
Dividends and realized fair value changes on available-for-sale investments	-	(2,319,645)
	<u>51,003,594</u>	<u>(51,874,416)</u>
<u>Changes in operating assets and liabilities:</u>		
Due from insurance operations	(47,456,492)	-
Due to insurance operations	(1,250,230)	67,571,953
Accrued commission on statutory deposit	(198,858)	
Prepaid expenses and other assets	-	1,139,024
Accrued commission income	(813,418)	-
Commission on statutory deposit payable	198,858	-
Accrued and other liabilities	<u>1,000,000</u>	<u>974,557</u>
Cash generated from operations	2,483,454	17,811,118
Zakat and income tax paid	(607,805)	(1,206,084)
Net cash generated from operating activities	<u>1,875,649</u>	<u>16,605,034</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Movement in available-for-sale investments	-	(25,873,792)
Commission, dividend received and realized fair value changes	-	2,400,575
Net cash used in investing activities	<u>-</u>	<u>(23,473,217)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase of share capital	-	200,000,000
Share premium, net	-	30,542,514
Statutory deposit, net	-	(20,000,000)
Net cash generated from financing activities	<u>-</u>	<u>210,542,514</u>
Net change in cash and cash equivalents	1,875,649	203,674,331
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	<u>215,854,932</u>	<u>286,774,284</u>
<u>Non-cash transactions:</u>		
Unrealized fair value changes on available-for-sale investments	(2,809,554)	8,712,149
Provision for zakat and income tax	<u>4,000,001</u>	<u>(1,999,998)</u>

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


Chief Financial Officer


Chief Executive Officer


Director

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 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 months and six months period ended 30 June 2016 and 2015 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. 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 period are not indicative of the results of the full statutory financial year.

<u>Standard</u>	<u>Description</u>
IFRS 14	Regulatory deferral accounts
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to IAS 16	Property, plant and equipment
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of 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 on or after January 1, 2016:

Standard	Description
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
Amendments to IFRS 9	Financial instruments regarding general hedge accounting
Amendments to IAS 27	Equity method in separate financial statements
Annual improvements 2014	

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 period. 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

	30 June 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Deposits at banks	300,000,000	-
Cash at banks	200,712,656	373,160,369
	500,779,656	373,227,369

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

3. CASH AND CASH EQUIVALENTS (Continued)

Shareholders' operations

	30 June 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Deposits at banks	215,854,932	213,979,283

Deposits at banks comprise of short term deposits having maturity period of less than three months and have been placed with local banks on roll over basis.

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE - net

	30 June 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Premiums receivable	178,922,643	130,768,288
Insurance and reinsurance receivables	1,581,125	1,593,456
Allowance for doubtful debts	(21,061,293)	(19,561,293)
	159,442,475	112,800,451

5. RELATED PARTIES TRANSACTIONS

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

	30 June 2016 SR	30 June 2015 SR
	(Un-audited)	(Un-audited)
Gross premium received from directors and their related parties	2,978,252	9,697,528
Gross premium received from key management personnel	6,268	8,338
Gross claims paid to directors and their related parties	7,762,065	618,790
Compensation of key management personnel - other benefits	1,738,142	2,009,905

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

	30 June 2016 SR	31 December 2015 SR
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	857,847	677,790
Claims payable to directors and related parties	(1,027,196)	(8,322,769)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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 segment has 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 asset;
- Segment liabilities and surplus 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 months period ended 30 June 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	51,323,806	134,827,437	18,237,544	4,425,777	13,515,412	222,329,976
Net premiums written	51,323,806	134,881,087	1,501,692	1,403,726	6,923,416	196,033,727
Net premiums earned	28,708,278	107,363,599	1,130,717	2,127,904	6,992,071	146,322,569
Reinsurance commission	-	65,882	1,873,771	1,349,124	1,985,513	5,274,290
Other underwriting income	-	1,087,800	2,335	1,535	13,050	1,104,720
Net incurred claims	(16,859,132)	(56,673,077)	(1,289,121)	1,365,909	(5,998,113)	(79,453,534)
Other underwriting expenses	(4,589,826)	(14,209,424)	(1,138,088)	(996,835)	(1,450,489)	(22,384,662)
Unallocated expenses						(18,559,190)
Surplus from insurance operations						32,304,193
Commission income on bank deposits						1,499,721
Net surplus from insurance operations						33,803,914

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the six months period ended 30 June 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	94,498,963	282,248,292	24,012,715	31,021,127	52,609,299	484,390,396
Net premiums written	94,498,963	280,717,643	2,534,211	4,283,334	15,228,377	397,262,528
Net premiums earned	50,197,021	210,627,331	2,258,440	3,886,067	15,361,481	282,330,340
Reinsurance commission	-	143,101	4,094,191	2,961,159	2,392,329	9,590,780
Other underwriting income	-	1,864,247	4,925	3,150	27,980	1,900,302
Net incurred claims	(24,619,725)	(122,842,425)	(4,967,415)	(1,088,007)	(8,586,402)	(162,103,974)
Other underwriting expenses	(7,926,601)	(27,422,595)	(2,394,263)	(2,253,705)	(2,820,365)	(42,817,529)
Unallocated expenses						(35,186,559)
Surplus from insurance operations						53,713,360
Commission income on bank deposits						1,770,555
Net surplus from insurance operations						55,483,915

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

6. SEGMENTAL INFORMATION (Continued)

Insurance operations' financial position as at 30 June 2016 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	818,638	18,835,006	42,359,974	17,752,512	79,766,130
Reinsurers' share of outstanding claims	-	406,617	127,861,791	41,455,205	3,446,263	173,169,876
Deferred policy acquisition costs	7,073,603	20,386,415	1,892,422	1,222,001	2,559,355	33,133,796
Unallocated assets						<u>708,235,625</u>
Total assets						<u>994,305,427</u>
Insurance operations' liabilities						
Unearned premiums	82,367,159	246,791,301	20,872,128	45,992,608	29,718,750	425,741,946
Outstanding claims	27,959,260	136,852,104	136,886,186	44,973,571	20,534,490	367,205,611
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	-	164,603	2,546,760	3,985,962	1,625,784	8,323,109
Unallocated liabilities and surplus						<u>150,622,526</u>
Total liabilities and surplus						<u>994,305,427</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the three months period ended 30 June 2015 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	19,552,896	106,198,076	17,317,205	43,395,979	12,973,108	199,437,264
Net premiums written	19,552,896	106,198,564	1,414,790	2,379,871	8,142,329	137,688,450
Net premiums earned	12,468,072	81,140,384	1,341,696	1,791,633	7,189,797	103,931,582
Reinsurance commission	-	59,696	2,692,186	1,899,171	324,526	4,975,579
Other underwriting income	-	617,810	3,285	2,475	12,419	635,989
Net incurred claims	(5,221,897)	(94,388,873)	(1,483,791)	(457,520)	(5,558,387)	(107,110,468)
Changes in additional premium reserves	-	(7,901,355)	-	-	25,740	(7,875,615)
Changes in other technical reserves	-	-	-	(100,000)	-	(100,000)
Other underwriting expenses	(3,821,170)	(13,305,640)	(1,305,501)	(1,044,515)	(1,503,967)	(20,980,793)
Unallocated expenses						(15,422,241)
Net deficit from insurance operations						(41,945,967)

Insurance operations for the six months' period ended 30 June 2015 (Un-audited):

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	30,182,170	249,450,312	29,810,816	56,485,962	30,736,842	396,666,102
Net premiums written	30,182,170	248,211,522	4,642,919	4,028,071	17,086,629	304,151,311
Net premiums earned	23,724,412	146,320,898	3,822,351	3,033,347	14,582,607	191,483,615
Reinsurance commission	-	120,449	4,598,227	3,783,797	671,327	9,173,800
Other underwriting income	-	912,300	7,470	4,205	34,123	958,098
Net incurred claims	(10,919,509)	(158,051,605)	(1,244,272)	(322,996)	(6,814,069)	(177,352,451)
Changes in additional premium reserve	-	(7,901,355)	-	-	25,740	(7,875,615)
Changes in other technical reserves	-	-	-	(100,000)	-	(100,000)
Other underwriting expenses	(5,529,159)	(22,806,163)	(2,368,651)	(2,030,305)	(2,965,319)	(35,699,597)
Unallocated expenses						(30,949,452)
Deficit from insurance operations						(50,361,602)
Commission income on bank deposits						12,188
Net deficit from insurance operations						(50,349,414)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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						<u>525,734,715</u>
Total insurance operations' assets						<u>843,940,534</u>
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						<u>82,755,131</u>
Total insurance operations' liabilities and surplus						<u>843,940,534</u>

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:

	30 June 2016 SR (Un-audited)	31 December 2015 SR (Audited)
Quoted securities	79,993,054	82,802,608
Unquoted securities	1,923,078	1,923,078
	<u>81,916,132</u>	<u>84,725,686</u>

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

	30 June 2016 SR (Un-audited)	31 December 2015 SR (Audited)
Beginning of period / year	84,725,686	79,284,833
Purchases and dividends reinvested	-	26,678,032
Disposals	-	(5,680,223)
Unrealized fair value changes	(2,809,554)	(15,556,956)
Ending of period / year	<u>81,916,132</u>	<u>84,725,686</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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 to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer has been made during the period due to accumulated losses at the period end.

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 period by the weighted average number of ordinary shares outstanding during the period.

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

	30 June 2016	30 June 2015
	(Un-audited)	(Re-stated)
Issued ordinary shares as at 1 January	20,000,000	20,000,000
Effect of right share issue	20,000,000	8,088,398
	40,000,000	28,088,398

The weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.299 which is a ratio of the theoretical ex-rights price of SR 17.07 per ordinary share and the closing price of SR 22.13 per ordinary share on the last day on which the shares were traded before the right issue.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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 30 June 2016 and 31 December 2015 based on their value hierarchy:

As at 30 June 2016 (Un-audited)

Financial instruments	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments available-for-sale				
Equity securities	79,993,054	-	1,923,078	81,916,132
Total	79,993,054	-	1,923,078	81,916,132

As at 31 December 2015 (Audited)

Financial instruments	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
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 period.

During the six months period ended 30 June 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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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, the effects of which are not material.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 21 July 2016 corresponding to 16 Shawwal 1437H.