

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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2014

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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2014**

INDEX	PAGE
Independent auditors' limited review report	1
Interim statement of financial position	2 - 3
Interim statement of insurance operations	4
Interim statement of shareholders' operations	5
Interim statement of shareholders' comprehensive income	6
Interim statement of changes in shareholders' equity	7
Interim statement of insurance operations' cash flows	8
Interim statement of shareholders' operations' cash flows	9
Notes to the interim condensed financial statements	10 - 18



INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To the Shareholders
Saudi United Cooperative Insurance Company (WALA'A)
Al-Khobar, Saudi Arabia

SCOPE OF 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 30 June 2014, and the related interim statements of insurance operations, shareholders' operations, shareholders' comprehensive income for the three-month and six-month periods then ended, and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the six-month period ended 30 June 2014 and the 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. The scope of such limited review is substantially less than an audit conducted in accordance with the auditing standards generally accepted in 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.

REVIEW 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.

PricewaterhouseCoopers

Omar M. Al Sagga
Certified Public Accountant
License Number 369



**Deloitte & Touche
Bakr Abulkhair & Co.**

Waleed Moh'd Sobahi
Certified Public Accountant
License Number 378



18 Ramdan 1435H
16 July 2014

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

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		30 June 2014 SR	31 December 2013 SR
	Note	(Un-audited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	163,418,623	119,381,611
Premiums and insurance balances receivable	4	131,815,501	79,108,899
Reinsurers' share of unearned premiums		103,397,575	57,439,907
Reinsurers' share of outstanding claims		117,739,157	105,122,990
Deferred policy acquisition costs		20,149,406	12,050,405
Prepaid expenses and other assets		15,324,461	14,288,196
Accrued commission income		-	34,675
Property and equipment		4,192,552	4,532,680
Due from shareholders' operations		11,122,699	-
TOTAL INSURANCE OPERATIONS' ASSETS		567,159,974	391,959,363
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	45,612,523	86,366,117
Short-term deposits		26,983,859	26,983,859
Other financial assets	7	111,269,180	60,941,698
Due from insurance operations		-	19,815,072
Accrued commission income		1,235,857	939,190
Statutory deposit	8	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		205,101,419	215,045,936
TOTAL ASSETS		772,261,393	607,005,299

(Continued)

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes from 1 to 15 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 30 JUNE 2014

	Note	30 June 2014 SR (Un-audited)	31 December 2013 SR (Audited)
INSURANCE OPERATIONS' LIABILITIES			
Liabilities arising from insurance contracts:			
Unearned premiums		250,711,132	132,352,853
Outstanding claims		212,964,732	181,437,542
Total liabilities arising from insurance contracts		463,675,864	313,790,395
Accrued and other liabilities		44,066,495	29,283,978
Reinsurance balances payable		43,285,225	18,361,378
Unearned reinsurance commission		10,242,382	5,501,830
Due to shareholders' operations		-	19,815,072
End-of-service indemnities		3,742,562	3,059,264
TOTAL INSURANCE OPERATIONS' LIABILITIES		565,012,528	389,811,917
Insurance operations' surplus		2,147,446	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		567,159,974	391,959,363
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued and other liabilities		8,878,781	8,269,395
Due to insurance operations		11,122,699	-
		20,001,480	8,269,395
SHAREHOLDERS' EQUITY			
Share capital	10	200,000,000	200,000,000
Accumulated losses		(44,000,233)	(14,481,813)
Fair value reserve		29,100,172	21,258,354
TOTAL SHAREHOLDERS' EQUITY		185,099,939	206,776,541
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		205,101,419	215,045,936
TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY		772,261,393	607,005,299



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 15 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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2014

	Three-month ended 30 June 2014 SR	Three-month ended 30 June 2013 SR	Six-month ended 30 June 2014 SR	Six-month ended 30 June 2013 SR
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
REVENUES				
Gross premiums written	5 175,629,059	57,143,934	356,712,353	166,950,255
Reinsurance premiums ceded	(91,031,558)	(17,206,418)	(171,546,704)	(66,015,955)
Net premiums written	84,597,501	39,937,516	185,165,649	100,934,300
Changes in unearned premiums, net	(21,383,621)	(2,876,357)	(72,400,611)	(26,381,404)
Net premiums earned	63,213,880	37,061,159	112,765,038	74,552,896
Reinsurance commission	4,545,026	3,308,486	8,390,430	6,843,291
Other underwriting income	169,565	22,873	278,555	59,237
TOTAL REVENUES	67,928,471	40,392,518	121,434,023	81,455,424
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	49,047,807	29,039,963	101,686,395	59,530,008
Reinsurers' share of claims paid	(4,215,610)	(3,356,836)	(21,258,270)	(8,579,341)
Net claims paid	44,832,197	25,683,127	80,428,125	50,950,667
Changes in outstanding claims, net	5,096,266	3,505,637	18,911,023	2,971,680
Net claims incurred	49,928,463	29,188,764	99,339,148	53,922,347
Policy acquisition costs	8,690,725	5,295,881	14,998,670	8,426,418
Excess of loss expenses	3,043,982	1,975,231	4,393,379	3,294,766
Other expenses	3,175,642	1,037,735	4,900,169	1,841,043
TOTAL UNDERWRITING COSTS AND EXPENSES	64,838,812	37,497,611	123,631,366	67,484,574
NET UNDERWRITING INCOME (LOSS)	3,089,659	2,894,907	(2,197,343)	13,970,850
OTHER OPERATING EXPENSES, NET				
Operating and administrative salaries	(7,890,224)	(7,948,178)	(16,337,428)	(15,388,344)
General and administrative expenses	(3,969,634)	(3,045,232)	(9,355,649)	(6,014,036)
Commission income on bank deposits	-	96,948	12,610	184,239
TOTAL OTHER OPERATING EXPENSES, NET	(11,859,858)	(10,896,462)	(25,680,467)	(21,218,141)
Net deficit from insurance operations	(8,770,199)	(8,001,555)	(27,877,810)	(7,247,291)
Insurance operations deficit transferred to shareholders' operations	8,770,199	8,001,555	27,877,810	7,247,291
Net result from insurance operations after shareholders' appropriation	-	-	-	-

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes from 1 to 15 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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2014

	Three-month ended 30 June 2014	Three-month ended 30 June 2013	Six-month ended 30 June 2014	Six-month ended 30 June 2013
Note	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net deficit transferred from insurance operations	(8,770,199)	(8,001,555)	(27,877,810)	(7,247,291)
Commission income on bank deposits	291,382	55,583	366,245	105,137
Commission income on held-to-maturity investments	47,125	47,125	94,250	94,250
Dividends and realized fair value changes on available-for-sale investments	769,206	-	1,324,664	12,407,095
General and administrative expenses	(1,038,269)	(488,500)	(1,800,771)	(1,138,500)
Net (loss) income for the period	(8,700,755)	(8,387,347)	(27,893,422)	4,220,691
Basic and diluted (loss) earnings per share	(0.44)	(0.42)	(1.39)	0.21
Weighted average number of outstanding shares	20,000,000	20,000,000	20,000,000	20,000,000

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes from 1 to 15 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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2014

	Three-month ended 30 June 2014	Three-month ended 30 June 2013	Six-month ended 30 June 2014	Six-month ended 30 June 2013
Note	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' net (loss) income for the period	(8,700,755)	(8,387,347)	(27,893,422)	4,220,691
Unrealized fair value changes on available for sale investment	1,322,773	4,762,514	7,841,818	9,901,566
Provision for zakat and income tax	(812,499)	(750,000)	(1,624,998)	(1,500,000)
Total comprehensive (loss) income for the period	(8,190,481)	(4,374,833)	(21,676,602)	12,622,257
Basic and diluted (loss) earnings per share	(0.41)	(0.22)	(1.08)	0.63
Weighted average number of outstanding shares	20,000,000	20,000,000	20,000,000	20,000,000

Chief Financial Officer

Chief Executive Officer

Director

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	Share capital SR	Accumulated losses SR	Fair value reserve SR	Total SR
Balance at 1 January 2013 (Audited)	200,000,000	(36,128,195)	11,265,390	175,137,195
Shareholders' net income for the period	-	4,220,691	-	4,220,691
Unrealized fair value changes on available- for-sale investments , net	-	-	9,901,566	9,901,566
Provision for zakat and income tax	-	(1,500,000)	-	(1,500,000)
Balance at 30 June 2013 (Un-audited)	200,000,000	(33,407,504)	21,166,956	187,759,452
Balance at 1 January 2014 (Audited)	200,000,000	(14,481,813)	21,258,354	206,776,541
Shareholders' net loss for the period	-	(27,893,422)	-	(27,893,422)
Unrealized fair value changes on available- for-sale investments, net	-	-	7,841,818	7,841,818
Provision for zakat and income tax	-	(1,624,998)	-	(1,624,998)
Balance at 30 June 2014 (Un-audited)	200,000,000	(44,000,233)	29,100,172	185,099,939

Chief Financial Officer

Chief Executive Officer

Director

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	Six-month ended 30 June 2014 SR (Un-audited)	Six-month ended 30 June 2013 SR (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net deficit from insurance operations	(27,877,810)	(7,247,291)
Adjustments for:		
Depreciation	769,713	658,600
End-of-service indemnities, net	683,298	566,446
	(26,424,799)	(6,022,245)
Changes in operating assets and liabilities:		
Premiums and insurance balances receivable	(52,706,602)	(46,579,464)
Reinsurers' share of unearned premiums	(45,957,668)	(6,874,549)
Reinsurers' share of outstanding claims	(12,616,167)	(36,402,755)
Deferred policy acquisition costs	(8,099,001)	(2,981,002)
Due from an affiliate	-	(888,724)
Prepaid expenses and other assets	(1,036,265)	70,351
Accrued commission income	34,675	(42,457)
Unearned premiums	118,358,279	33,255,953
Outstanding claims	31,527,190	39,374,435
Unearned reinsurance commission	4,740,552	1,476,221
Reinsurance balances payable	24,923,847	24,252,736
Accrued and other liabilities	14,782,517	(1,392,187)
Net cash generated from (used in) operating activities	47,526,558	(2,753,687)
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property and equipment	(429,585)	(941,266)
CASH FLOW FROM FINANCING ACTIVITY		
Due (to) from shareholders' operations	(3,059,961)	24,144,158
Net increase in cash and cash equivalents	44,037,012	20,449,205
Cash and cash equivalents at the beginning of the period	119,381,611	81,786,405
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	163,418,623	102,235,610



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 15 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 SIX MONTH PERIOD ENDED 30 JUNE 2014

	Six-month ended 30 June 2014 SR	Six-month ended 30 June 2013 SR
	(Un-audited)	(Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	(27,893,422)	4,220,691
Adjustments for:		
Commission income	(366,245)	(105,137)
Dividends and realized fair value changes on available-for-sale investments	(1,324,664)	12,407,095
	(29,584,331)	16,522,649
Changes in operating assets and liabilities:		
Due from insurance operations	30,937,771	(16,896,867)
Accrued and other liabilities	(1,015,612)	(2,160,069)
Net cash generated from (used in) operating activities	337,828	(2,534,287)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term deposits	-	26,475,994
Movement in other financial assets, net	(42,485,664)	(12,404,480)
Commission, dividend received and realized fair value changes	1,394,242	323,743
Net cash (used in) generated from investing activities	(41,091,422)	14,395,257
Net change in cash and cash equivalents	(40,753,594)	11,860,970
Cash and cash equivalents at the beginning of the period	86,366,117	60,000,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	45,612,523	71,860,970
Supplemental cash flow information		
Provision for zakat and income tax	(1,624,998)	(1,500,000)
Unrealized fair value changes on available-for-sale investments	7,841,818	9,901,566


Chief Financial Officer


Chief Executive Officer


Director

The accompanying notes from 1 to 15 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 SIX MONTH PERIOD ENDED 30 JUNE 2014**

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 4 July 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 2 July 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed financial statements for the three-month and six-month periods ended 30 June 2014 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.

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 31 December 2013, except for the adoption of amendments and revisions to existing standards as mentioned below, which had no significant financial impact on these 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 31 December 2013.

<u>Standard</u>	<u>Description</u>
Amendments to IFRS 10	Consolidated Financial Statements
Amendments to IFRS 12	Disclosures of Interest in Other Entities
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 32	Financial Instruments – Presentation
Amendments to IAS 36	Impairment of assets
Amendments to IAS 39	Financial instruments: Recognition and Measurement
IFRIC 21	Levies

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1 July 2014:

<u>Standard</u>	<u>Description</u>
Amendment to IAS 19	Defined benefit plans
Amendment to IFRS 9	Financial instruments regarding general hedge accounting
IFRS 9	Financial instruments
Annual improvements 2012	
Annual improvements 2013	

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 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	163,351,623	33,419,629
Time deposits	-	85,894,982
	163,418,623	119,381,611

Shareholders' operations

	30 June 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Cash at banks	45,612,523	86,366,117

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

3. CASH AND CASH EQUIVALENTS (Continued)

Bank current accounts and time deposits are placed with financial institutions that have investment grade credit ratings.

Time deposits are placed with local and foreign banks with an original maturity of less than three months from the date of acquisition and earn financial income at an average rate of 0.80% to 1.1% per annum as at 30 June 2014 (31 December 2013: 0.80% to 1.1% per annum).

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	30 June 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Premiums receivable	143,954,688	91,589,538
Insurance and reinsurance receivables	2,821,702	1,563,971
Allowance for doubtful debts	(14,960,889)	(14,044,610)
	131,815,501	79,108,899

5. RELATED PARTY TRANSACTIONS

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

	30 June 2014 SR	30 June 2013 SR
	(Un-audited)	(Un-audited)
Gross premium received from directors and their related parties	1,937,482	1,574,358
Gross premium received from key management personnel	7,721	5,770
Compensation of key management personnel - other benefits	2,641,201	2,202,582
Amount received on behalf of an affiliate	105,625	262,139
Amount charged to an affiliate	3,025	1,150,863

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

	30 June 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	1,283,491	125,767
Claims payable to directors and related parties / affiliate	-	567,763

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

6. SEGMENTAL 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 results do not include operating and administrative salaries and general and administrative expenses.

Segment assets do not include cash and cash equivalents, time deposits, investments, premiums and insurance balances receivable, prepayments and other assets and property and equipment.

Segment liabilities do not include accounts payable; reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations and end-of-service indemnities.

Operating segments

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the three-month period ended 30 June 2014 (Un-audited)						
Gross premiums written	15,180,843	57,789,548	32,594,456	56,302,115	13,762,097	175,629,059
Net premiums written	15,180,843	57,751,241	2,756,653	1,209,435	7,699,329	84,597,501
Net premium earned	12,072,500	39,551,300	3,289,916	1,209,188	7,090,976	63,213,880
Reinsurance commission	-	68,255	2,657,266	1,602,410	217,095	4,545,026
Other underwriting income	-	144,215	3,095	1,790	20,465	169,565
Net claims incurred	(6,141,335)	(39,970,587)	(625,391)	68,012	(3,259,162)	(49,928,463)
Other underwriting expenses	(2,451,074)	(7,908,213)	(2,328,954)	(749,336)	(1,472,772)	(14,910,349)
Other general and administrative expenses (unallocated)						(11,859,858)
Net deficit from insurance operations						(8,770,199)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the six-month period ended 30 June 2014 (Un-audited)						
Gross premiums written	25,324,450	138,479,776	79,087,437	86,886,236	26,934,454	356,712,353
Net premiums written	25,324,450	137,131,356	4,389,450	2,864,396	15,455,997	185,165,649
Net premium earned	23,327,765	69,679,541	4,358,110	2,064,898	13,334,724	112,765,038
Reinsurance commission	-	129,389	5,040,688	2,722,910	497,443	8,390,430
Other underwriting income	-	229,735	7,890	3,965	36,965	278,555
Net claims incurred	(15,084,318)	(75,692,993)	(1,122,376)	(2,171,086)	(5,268,375)	(99,339,148)
Other underwriting expenses	(4,022,005)	(12,677,736)	(3,481,858)	(1,433,346)	(2,677,273)	(24,292,218)
Other general and administrative expenses (unallocated)						(25,693,077)
Deficit from insurance operations						(27,890,420)
Commission income on bank deposits						12,610
Net deficit from insurance operations						(27,877,810)
	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
As at 30 June 2014 (Un-audited)						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	701,480	30,358,767	58,729,548	13,607,780	103,397,575
Reinsurers' share of outstanding claims	844,578	2,569,202	61,623,363	46,557,174	6,144,840	117,739,157
Deferred policy acquisition costs	5,136,713	9,747,587	2,234,830	1,259,543	1,770,733	20,149,406
Unallocated assets						325,873,836
Total assets						567,159,974
Insurance operations' liabilities						
Unearned premiums	26,316,942	109,615,990	31,494,703	60,363,933	22,919,564	250,711,132
Outstanding claims	13,129,863	67,711,552	66,469,223	50,297,868	15,356,226	212,964,732
Unearned reinsurance commission	219,998	140,309	4,567,974	4,683,285	630,816	10,242,382
Unallocated liabilities						93,241,728
Total liabilities and surplus						567,159,974

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the three-month period ended 30 June 2013 (Un-audited)						
Gross premiums written	12,276,117	17,988,002	10,176,727	5,314,764	11,388,324	57,143,934
Net premiums written	12,276,117	17,958,988	832,468	(936,451)	9,806,394	39,937,516
Net premium earned	9,488,607	19,311,181	752,912	662,004	6,846,455	37,061,159
Reinsurance commission	-	49,303	2,119,077	1,076,392	63,714	3,308,486
Other underwriting income	-	10,110	2,055	1,280	9,428	22,873
Net claims incurred	(5,266,417)	(19,340,351)	(808,120)	406,723	(4,180,599)	(29,188,764)
Other underwriting expenses	(1,145,289)	(3,122,555)	(1,051,951)	(710,187)	(2,278,865)	(8,308,847)
Other general and administrative expenses (unallocated)						(10,993,410)
Deficit from insurance operations						(8,098,503)
Commission income on bank deposits						96,948
Net deficit from insurance operations						<u>(8,001,555)</u>
For the six-month period ended 30 June 2013 (Un-audited)						
Gross premiums written	19,964,765	61,525,612	51,541,900	13,945,504	19,972,474	166,950,255
Net premiums written	19,964,765	60,544,049	2,414,763	491,119	17,519,604	100,934,300
Net premium earned	21,666,200	37,262,801	1,407,783	1,790,815	12,425,297	74,552,896
Reinsurance commission	612,872	94,002	3,998,036	2,065,579	72,802	6,843,291
Other underwriting income	-	28,090	7,045	2,490	21,612	59,237
Net claims incurred	(10,814,395)	(33,265,917)	(1,263,371)	(1,747,427)	(6,831,237)	(53,922,347)
Other underwriting expenses	(2,365,753)	(4,508,333)	(1,699,845)	(1,356,312)	(3,631,984)	(13,562,227)
Other general and administrative expenses (unallocated)						(21,402,380)
Deficit from insurance operations						(7,431,530)
Commission income on bank deposits						184,239
Net deficit from insurance operations						<u>(7,247,291)</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
As at 31 December 2013 (Audited)						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	37,607,395	9,112,591	10,719,921	57,439,907
Reinsurers' share of outstanding claims	1,254,506	775,866	60,642,848	38,806,430	3,643,340	105,122,990
Deferred policy acquisition costs	4,940,066	3,394,692	1,308,141	956,861	1,450,645	12,050,405
Unallocated assets						<u>217,346,061</u>
Total assets						<u>391,959,363</u>
Insurance operations' liabilities						
Unearned premiums	24,320,257	41,462,694	38,712,029	9,947,478	17,910,395	132,352,853
Outstanding claims	11,714,321	48,611,139	65,870,243	42,264,346	12,977,493	181,437,542
Unearned reinsurance commission	219,998	-	3,145,644	1,770,772	365,416	5,501,830
Unallocated liabilities						<u>72,667,138</u>
Total liabilities						<u>391,959,363</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. OTHER FINANCIAL ASSETS

The Company's other financial assets are classified as follows:

	30 June 2014 SR (Un-audited)	31 December 2013 SR (Audited)
Held-to-maturity	6,500,000	6,500,000
Available-for-sale	104,769,180	53,941,698
Loans and receivables	-	500,000
	<u>111,269,180</u>	<u>60,941,698</u>

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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

10. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is Saudi Riyal 200 million consisting of 20 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. The Company is currently in the process of obtaining approval from the Capital Market Authority (CMA) after submission of information and documents specified by them. As a result of this rights issue, the share capital of the Company will increase to SR 400 million comprising of 40 million shares of SR 10 each in issued and fully paid up shares.

11. (LOSS) EARNINGS PER SHARE

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

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 2014 and 31 December 2013 based on their value hierarchy:

As at 30 June 2014 (Un-audited)

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available-for-sale				
Equity securities	102,045,472	-	2,723,708	104,769,180
Total	102,045,472	6,500,000	2,723,708	111,269,180

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2013 (Audited)

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available-for-sale				
Equity securities	51,218,620	-	2,723,078	53,941,698
Loans and advances				
Loan	-	-	500,000	500,000
Total	51,218,620	6,500,000	3,223,078	60,941,698

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 month period ended 30 June 2014, 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.

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. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 16 July 2014.