

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 NINE MONTH PERIODS ENDED
30 SEPTEMBER 2014

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 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 September 2014, and the related interim statements of insurance operations, shareholders' operations, shareholders' comprehensive income for the three month and nine month periods then ended, and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the nine month period ended 30 September 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.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
Certified Public Accountant
License Number 378



PricewaterhouseCoopers

Omar M. Al Sagga
Certified Public Accountant
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27 Dhu Al Hijjah 1435H
October 21, 2014

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

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

		30 September 2014	31 December 2013
	Note	SR	SR
		(Un-audited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	183,702,795	119,381,611
Premiums and insurance balances receivable	4	129,005,501	79,108,899
Reinsurers' share of unearned premiums		165,472,198	57,439,907
Reinsurers' share of outstanding claims		253,927,145	105,122,990
Deferred policy acquisition costs		19,382,656	12,050,405
Prepaid expenses and other assets		12,639,661	14,288,196
Accrued commission income		-	34,675
Property and equipment		4,075,512	4,532,680
TOTAL INSURANCE OPERATIONS' ASSETS		768,205,468	391,959,363
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	105,612,524	86,366,117
Short-term deposits		27,231,211	26,983,859
Other financial assets	7	56,086,530	60,941,698
Due from insurance operations		3,085,241	19,815,072
Prepaid expenses and other assets		791,636	-
Accrued commission income		1,151,695	939,190
Statutory deposit	8	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		213,958,837	215,045,936
TOTAL ASSETS		982,164,305	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 SEPTEMBER 2014

	30 September 2014	31 December 2013
Note	SR	SR
	(Un-audited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES		
Liabilities arising from insurance contracts:		
Unearned premiums	305,145,666	132,352,853
Outstanding claims	352,959,073	181,437,542
Total liabilities arising from insurance contracts	658,104,739	313,790,395
Accrued and other liabilities	43,972,680	29,283,978
Reinsurance balances payable	45,094,743	18,361,378
Unearned reinsurance commission	11,846,972	5,501,830
Due to shareholders' operations	3,085,241	19,815,072
End-of-service indemnities	3,953,647	3,059,264
TOTAL INSURANCE OPERATIONS' LIABILITIES	766,058,022	389,811,917
Insurance operations' surplus	2,147,446	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	768,205,468	391,959,363
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Accrued and other liabilities	10,189,721	8,269,395
SHAREHOLDERS' EQUITY		
Share capital	10 200,000,000	200,000,000
Accumulated losses	(3,094,336)	(14,481,813)
Fair value reserve	6,863,452	21,258,354
TOTAL SHAREHOLDERS' EQUITY	203,769,116	206,776,541
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	213,958,837	215,045,936
TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY	982,164,305	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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Note	Three-month ended 30 September 2014 SR (Un-audited)	Three-month ended 30 September 2013 SR (Un-audited)	Nine-month ended 30 September 2014 SR (Un-audited)	Nine-month ended 30 September 2013 SR (Un-audited)
REVENUES					
Gross premiums written	5,6	190,746,328	109,749,993	547,458,681	276,700,248
Reinsurance premiums ceded		(125,746,928)	(71,130,294)	(297,293,632)	(137,146,249)
Net premiums written	6	64,999,400	38,619,699	250,165,049	139,553,999
Changes in unearned premiums, net		7,640,089	360,466	(64,760,522)	(26,020,938)
Net premiums earned	6	72,639,489	38,980,165	185,404,527	113,533,061
Reinsurance commission	6	4,995,889	11,656,471	13,386,319	18,499,762
Other underwriting income	6	151,851	17,221	430,406	76,458
TOTAL REVENUES		77,787,229	50,653,857	199,221,252	132,109,281
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		53,048,398	22,405,668	154,734,793	81,935,676
Reinsurers' share of claims paid		(4,734,232)	(6,041,647)	(25,992,502)	(14,620,988)
Net claims paid		48,314,166	16,364,021	128,742,291	67,314,688
Changes in outstanding claims, net		3,806,353	6,614,041	22,717,376	9,585,721
Net claims incurred	6	52,120,519	22,978,062	151,459,667	76,900,409
Policy acquisition costs		8,522,015	5,320,650	23,520,685	13,747,068
Excess of loss expenses		2,738,398	1,519,687	7,131,777	4,814,453
Other expenses		3,325,597	958,981	8,225,766	2,800,024
TOTAL UNDERWRITING COSTS AND EXPENSES		66,706,529	30,777,380	190,337,895	98,261,954
NET UNDERWRITING INCOME		11,080,700	19,876,477	8,883,357	33,847,327
OTHER OPERATING EXPENSES, NET					
Operating and administrative salaries		(5,471,650)	(7,698,262)	(21,809,078)	(23,086,606)
General and administrative expenses		(4,272,867)	(4,545,344)	(13,628,516)	(10,559,380)
Commission income on bank deposits		-	103,052	12,610	287,291
TOTAL OTHER OPERATING EXPENSES, NET		(9,744,517)	(12,140,554)	(35,424,984)	(33,358,695)
Net surplus (deficit) from Insurance operations		1,336,183	7,735,923	(26,541,627)	488,632
Insurance operations (surplus) deficit transferred to shareholders' operations		(1,336,183)	(6,962,331)	26,541,627	(439,769)
Net result from Insurance operations after shareholders' appropriation		-	773,592	-	48,863


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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Three-month ended 30 September 2014	Three-month ended 30 September 2013	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
Note	SR (Un-audited)	SR (Un-audited)	SR (Un-audited)	SR (Un-audited)
Net surplus (deficit) transferred from insurance operations	1,336,183	6,962,331	(26,541,627)	439,769
Commission income on bank deposits	63,135	128,223	429,380	233,360
Commission income on held-to-maturity investments	47,126	47,126	141,376	141,376
Dividends and realized fair value changes on available-for-sale investments	40,773,684	497,134	42,098,348	12,904,229
General and administrative expenses	(501,732)	(450,000)	(2,302,503)	(1,588,500)
Net income for the period	41,718,396	7,184,814	13,824,974	12,130,234
Basic and diluted earnings per share	2.09	0.36	0.69	0.61
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 SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Note	Three-month ended 30 September 2014	Three-month ended 30 September 2013	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
	SR (Un-audited)	SR (Un-audited)	SR (Un-audited)	SR (Un-audited)
Shareholders' net income for the period	41,718,396	7,184,814	13,824,974	12,130,234
Unrealized fair value changes on available for sale investment	(22,236,720)	6,549,648	(14,394,902)	16,451,214
Provision for zakat and income tax	(812,499)	(750,000)	(2,437,497)	(2,250,000)
Total comprehensive income for the period	18,669,177	12,984,462	(3,007,425)	26,331,448
Basic and diluted earnings (loss) per share	10 0.93	0.65	(0.15)	1.32
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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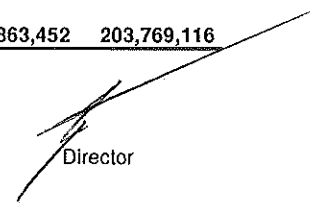
SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	-	12,130,234	-	12,130,234
Unrealized fair value changes on available- for-sale investments , net	-	-	16,451,214	16,451,214
Provision for zakat and income tax	-	(2,250,000)	-	(2,250,000)
Balance at 30 September 2013 (Un-audited)	200,000,000	(26,247,961)	27,716,604	201,468,643
Balance at 1 January 2014 (Audited)	200,000,000	(14,481,813)	21,258,354	206,776,541
Shareholders' net income for the period	-	13,824,974	-	13,824,974
Unrealized fair value changes on available- for-sale investments, net	-	-	(14,394,902)	(14,394,902)
Provision for zakat and income tax	-	(2,437,497)	-	(2,437,497)
Balance at 30 September 2014 (Un-audited)	200,000,000	(3,094,336)	6,863,452	203,769,116


 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Nine-month ended 30 September 2014 SR <u>(Un-audited)</u>	Nine-month ended 30 September 2013 SR <u>(Un-audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit)/ surplus from insurance operations	(26,541,627)	488,632
Adjustments for:		
Depreciation	1,184,521	1,013,832
End-of-service indemnities, net	894,383	782,098
	<u>(24,462,723)</u>	2,284,562
Changes in operating assets and liabilities:		
Premiums and insurance balances receivable	(49,896,602)	(29,467,256)
Reinsurers' share of unearned premiums	(108,032,291)	(38,555,805)
Reinsurers' share of outstanding claims	(148,804,155)	(45,430,751)
Deferred policy acquisition costs	(7,332,251)	(3,429,689)
Due from an affiliate	-	(1,115,355)
Prepaid expenses and other assets	1,648,535	(139,428)
Accrued commission income	34,675	(145,509)
Unearned premiums	172,792,813	64,576,743
Outstanding claims	171,521,531	55,016,472
Accrued and other liabilities	14,688,702	(256,533)
Reinsurance balances payable	26,733,365	3,587,674
Unearned reinsurance commission	6,345,142	2,323,215
Net cash generated from operating activities	<u>55,236,741</u>	9,248,340
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property and equipment	(727,353)	(2,140,827)
CASH FLOW FROM FINANCING ACTIVITY		
Due from shareholders' operations	9,811,796	10,542,078
Net increase in cash and cash equivalents	<u>64,321,184</u>	17,649,591
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	<u>183,702,795</u>	99,435,996


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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Nine-month ended 30 September 2014 SR	Nine-month ended 30 September 2013 SR
	(Un-audited)	(Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	13,824,974	12,130,234
Adjustments for:		
Commission income	(570,756)	(233,360)
Dividends and realized fair value changes on available-for-sale investments	(42,098,348)	(12,904,229)
	(28,844,130)	(1,007,355)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(791,636)	-
Due from insurance operations	16,729,831	(10,981,847)
Accrued and other liabilities	(517,171)	219,413
Net cash used in operations	(13,423,106)	(11,769,789)
Zakat paid	-	(2,192,282)
Net cash used in operating activities	(13,423,106)	(13,962,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term deposits	(247,352)	(384,976)
Movement in other financial assets, net	(9,539,734)	(992,905)
Commission, dividend received and realized fair value changes	42,456,599	395,591
Net cash generated from (used in) investing activities	32,669,513	(982,290)
Net change in cash and cash equivalents	19,246,407	(14,944,361)
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	105,612,524	45,055,639
<u>Supplemental cash flow information</u>		
Provision for zakat and income tax	(2,437,497)	(2,250,000)
Unrealized fair value changes on available-for-sale investments, net	(14,394,902)	16,451,214


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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine-month periods ended 30 September 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.

Standard	Description
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 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 October 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 September 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	183,635,795	33,419,629
Time deposits	-	85,894,982
	183,702,795	119,381,611

Shareholders' operations

	30 September 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Cash at banks	105,612,524	86,366,117

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

3. CASH AND CASH EQUIVALENTS (Continued)

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

As of December 31, 2013, time deposits were placed with local banks with an original maturity of less than three months from the date of acquisition and earned financial income at an average rate of 0.80% to 1.1% per annum.

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	30 September 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Premiums receivable	141,572,512	91,589,538
Insurance and reinsurance receivables	2,893,878	1,563,971
Allowance for doubtful debts	(15,460,889)	(14,044,610)
	129,005,501	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 September 2014 SR	30 September 2013 SR
	(Un-audited)	(Un-audited)
Gross premium received from directors and their related parties	2,098,515	1,619,609
Gross premium received from key management personnel	12,806	8,545
Compensation of key management personnel - other benefits	3,622,935	3,413,940
Amount received on behalf of an affiliate	105,625	336,669
Amount charged to an affiliate	3,025	1,452,024

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

	30 September 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	945,659	125,767
Claims payable to directors and related parties / affiliate	911,144	567,763

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2014 (Un-audited)						
Gross premiums written	11,002,394	38,518,734	103,300,422	19,907,314	18,017,464	190,746,328
Net premiums written	11,002,394	38,510,563	1,307,655	2,420,882	11,757,906	64,999,400
Net premiums earned	12,709,281	50,678,664	926,131	1,395,433	6,929,980	72,639,489
Reinsurance commission	-	70,876	2,801,075	1,891,205	232,733	4,995,889
Other underwriting income	-	132,540	1,355	1,785	16,171	151,851
Net incurred claims	(7,061,384)	(36,338,371)	(3,269,525)	(75,056)	(5,376,183)	(52,120,519)
Other underwriting expenses	(2,128,605)	(8,967,637)	(1,271,353)	(875,685)	(1,342,730)	(14,586,010)
Other general and administrative expenses (unallocated)						(9,744,517)
Net surplus from insurance operations						1,336,183

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the nine-month period ended 30 September 2014 (Un-audited)						
Gross premiums written	36,326,844	176,998,510	182,387,859	106,793,550	44,951,918	547,458,681
Net premiums written	36,326,844	175,641,919	5,697,105	5,285,278	27,213,903	250,165,049
Net premiums earned	36,037,046	120,358,205	5,284,241	3,460,331	20,264,704	185,404,527
Reinsurance commission	-	200,265	7,841,763	4,614,115	730,176	13,386,319
Other underwriting income	-	362,275	9,245	5,750	53,136	430,406
Net incurred claims	(22,145,702)	(112,031,364)	(4,391,901)	(2,246,142)	(10,644,558)	(151,459,667)
Other underwriting expenses	(6,150,610)	(21,645,373)	(4,753,211)	(2,309,031)	(4,020,003)	(38,878,228)
Other general and administrative expenses (unallocated)						(35,437,594)
Deficit from insurance operations						(26,554,237)
Commission income on bank deposits						12,610
Net deficit from insurance operations						(26,541,627)
As at 30 September 2014 (Un-audited)						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	355,269	92,539,647	57,277,577	15,299,705	165,472,198
Reinsurers' share of outstanding claims	421,670	7,159,664	195,986,820	44,262,325	6,096,866	253,927,145
Deferred policy acquisition costs	5,075,505	8,219,213	1,878,589	1,811,342	2,398,007	19,382,656
Unallocated assets						329,423,489
Total assets						768,205,468
Insurance operations' liabilities						
Unearned premiums	24,610,055	97,101,678	94,057,107	59,937,411	29,439,415	305,145,666
Outstanding claims	12,302,711	71,716,514	203,038,386	46,938,373	18,963,089	352,959,073
Unearned reinsurance commission	219,998	71,066	5,405,599	5,477,873	672,436	11,846,972
Unallocated liabilities						98,253,757
Total liabilities and surplus						768,205,468

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the three month period ended 30 September 2013 (Un-audited)						
Gross premiums written	10,450,540	13,640,084	65,293,409	6,412,058	13,953,902	109,749,993
Net premiums written	10,450,540	13,619,029	1,601,202	837,225	12,111,703	38,619,699
Net premium earned	9,319,845	20,899,843	1,294,580	627,280	6,838,617	38,980,165
Reinsurance commission	8,042,940	52,764	2,164,911	1,327,626	68,230	11,656,471
Other underwriting income	-	6,899	1,422	915	7,985	17,221
Net incurred claims	(4,688,526)	(12,193,944)	(981,819)	(560,997)	(4,552,776)	(22,978,062)
Other underwriting expenses	(1,489,498)	(3,221,850)	(1,059,785)	(652,948)	(1,375,237)	(7,799,318)
Other general and administrative expenses (unallocated)						(12,243,606)
Surplus from insurance operations						7,632,871
Commission income on bank deposits						103,052
Net surplus from insurance operations						7,735,923

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the nine month period ended 30 September 2013 (Un-audited)						
Gross premiums written	30,415,305	75,165,696	116,835,309	20,357,562	33,926,376	276,700,248
Net premiums written	30,415,305	74,163,078	4,015,965	1,328,344	29,631,307	139,553,999
Net premium earned	30,986,045	58,162,644	2,702,363	2,418,095	19,263,914	113,533,061
Reinsurance commission	8,655,812	146,766	6,162,947	3,393,204	141,033	18,499,762
Other underwriting income	-	34,989	8,465	3,405	29,599	76,458
Net incurred claims	(18,840,755)	(45,459,861)	(2,245,190)	968,871	(11,323,474)	(76,900,409)
Other underwriting expenses	(3,447,926)	(7,730,183)	(2,759,630)	(1,763,579)	(5,660,227)	(21,361,545)
Other general and administrative expenses (unallocated)						(33,645,986)
Surplus from insurance operations						201,341
Commission income on bank deposits						287,291
Net surplus from insurance operations						488,632

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2014 SR	31 December 2013 SR
	(Un-audited)	(Audited)
Held-to-maturity	6,500,000	6,500,000
Available-for-sale	49,586,530	53,941,698
Loans and receivables	-	500,000
	<u>56,086,530</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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share from shareholders' operations are calculated by dividing net income (loss) 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 September 2014 and 31 December 2013 based on their value hierarchy:

As at 30 September 2014 (Un-audited)

Financial instruments	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Held to maturity				
Debt securities		6,500,000		6,500,000
Investments available-for-sale				
Equity securities	46,863,452	-	2,723,078	49,586,530
Total	46,863,452	6,500,000	2,723,078	56,086,530

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine month period ended 30 September 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 October 21, 2014.