

**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 TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

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

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**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDTORS' LIMITED REVIEW REPORT  
FOR THE THREE MONTH AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

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**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 31 December 2013, and the related interim statements of insurance operations, shareholders' operations, shareholders' comprehensive operations for the three month and twelve month periods then ended, and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the twelve month period ended 31 December 2013 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**

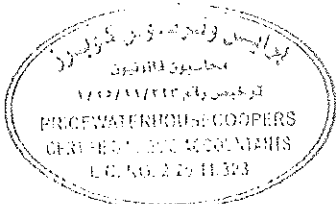
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS - 34.

**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.

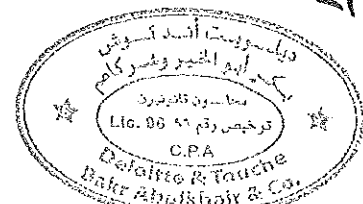
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15 January 2014

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

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	Note	31 December 2013 SR (Un-audited)	31 December 2012 SR (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	123,881,611	81,786,405
Premiums and insurance balances receivable	4	79,108,899	62,065,879
Due from an affiliate	5	2,737,330	1,871,945
Reinsurers' share of unearned premiums	6	57,439,907	44,284,121
Reinsurers' share of outstanding claims	6	105,122,990	46,153,014
Deferred policy acquisition costs	6	12,050,405	9,720,768
Prepaid expenses and other assets		4,376,757	4,578,493
Accrued commission income		34,675	77,903
Property and equipment		4,532,680	3,207,792
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>389,285,254</b>	<b>253,746,320</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	86,366,117	60,000,000
Short-term deposits		26,983,859	26,475,994
Other financial assets	7	60,941,698	64,800,506
Due from insurance operations		19,815,072	10,420,017
Accrued commission income		939,190	1,167,878
Statutory deposit	8	20,000,000	20,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>215,045,936</b>	<b>182,864,395</b>
<b>TOTAL ASSETS</b>		<b>604,331,190</b>	<b>436,610,715</b>

*(Continued)*




Chief Financial Officer (A)



Chief Executive Officer

Director

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT 31 DECEMBER 2013**

	Note	31 December 2013 SR (Un-audited)	31 December 2012 SR (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
<b>Liabilities arising from insurance contracts:</b>			
Unearned premiums	6	132,352,853	91,115,733
Outstanding claims	6	181,437,542	107,273,881
<b>Total liabilities arising from insurance contracts</b>		<b>313,790,395</b>	<b>198,389,614</b>
Accrued expenses and other liabilities		26,609,869	27,238,932
Reinsurance balances payable		18,361,378	8,197,770
Unearned reinsurance commission	6	5,501,830	5,198,133
Due to shareholders' operations		19,815,072	10,420,017
End-of-service indemnities		3,059,264	2,180,634
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>387,137,808</b>	<b>251,625,100</b>
Insurance operations' surplus		2,147,446	2,121,220
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>389,285,254</b>	<b>253,746,320</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		8,269,395	7,727,200
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000,000	200,000,000
Accumulated losses		(14,481,813)	(36,128,195)
Fair value reserve		21,258,354	11,265,390
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>206,776,541</b>	<b>175,137,195</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>215,045,936</b>	<b>182,864,395</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>604,331,190</b>	<b>436,610,715</b>

Chief Financial Officer (A)

Chief Executive Officer

Director

The accompanying notes from 1 to 13 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 TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

	Note	Three-month ended 31 December 2013 SR (Un-audited)	Three-month ended 31 December 2012 SR (Un-audited)	Twelve-month ended 31 December 2013 SR (Un-audited)	Twelve-month ended 31 December 2012 SR (Audited)
<b>REVENUES</b>					
Gross premiums written	5, 6	70,490,658	35,244,393	347,190,906	234,092,747
Reinsurance premiums ceded		(16,662,168)	(8,208,358)	(153,798,417)	(75,468,993)
Net premiums written	6	53,838,490	27,036,035	193,392,489	158,623,754
Changes in unearned premiums, net		(2,060,396)	19,551,420	(28,081,334)	19,237,866
Net premiums earned	6	51,778,094	46,587,455	165,311,155	177,861,620
Reinsurance commission	6	2,723,373	2,953,001	21,223,135	10,452,804
Other underwriting income	6	19,695	18,165	96,153	164,353
<b>TOTAL REVENUES</b>		<b>54,521,162</b>	<b>49,558,621</b>	<b>186,630,443</b>	<b>188,478,777</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid	6	35,513,760	38,517,680	117,449,436	121,739,998
Reinsurers' share of claims paid	6	(7,618,756)	(11,565,060)	(22,239,744)	(31,784,985)
Net claims paid	6	27,895,004	26,952,620	95,209,692	89,955,013
Changes in outstanding claims, net	6	5,607,962	(661,822)	15,193,685	11,391,196
Net incurred claims		33,502,966	26,290,798	110,403,377	101,346,209
Policy acquisition costs		6,846,310	6,054,553	20,593,378	23,155,762
Excess of loss expenses		1,910,045	1,056,552	6,724,498	5,642,298
Other expenses		1,147,308	948,906	3,947,330	5,103,054
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>43,406,629</b>	<b>34,350,809</b>	<b>141,668,583</b>	<b>135,247,323</b>
<b>NET UNDERWRITING INCOME</b>		<b>11,114,533</b>	<b>15,207,812</b>	<b>44,961,860</b>	<b>53,231,454</b>
<b>OTHER OPERATING EXPENSES, NET</b>					
Operating and administrative salaries		(7,747,459)	(6,897,713)	(30,834,065)	(25,109,963)
General and administrative expenses		(3,707,274)	(2,542,278)	(14,266,654)	(13,761,496)
Commission income on bank deposits		113,826	138,001	401,117	838,900
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>		<b>(11,340,907)</b>	<b>(9,301,990)</b>	<b>(44,699,602)</b>	<b>(38,032,559)</b>
Net (deficit) surplus from insurance operations		(226,374)	5,905,822	262,268	15,198,895
Insurance operations' (deficit) surplus transferred to shareholders' operations		226,374	(5,315,240)	(236,032)	(13,679,006)
<b>Net surplus from insurance operations after appropriation of surplus</b>		<b>-</b>	<b>590,582</b>	<b>26,226</b>	<b>1,519,889</b>

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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Chief Financial Officer (A)    Chief Executive Officer    Director

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

**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS**  
**FOR THE THREE MONTH AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

	Three month ended 31 December 2013 SR (Un-audited)	Three month ended 31 December 2012 SR (Un-audited)	Twelve month ended 31 December 2013 SR (Un-audited)	Twelve month ended 31 December 2012 SR (Audited)
Net (deficit) surplus transferred from insurance operations	(226,374)	5,315,240	236,032	13,679,006
Commission income on bank deposits	371,667	268,054	605,027	678,404
Commission income on held-to-maturity investments	47,124	47,125	188,500	188,500
Realized fair value changes on available-for-sale investments	12,751,094	2,814,823	26,655,323	7,212,038
General and administrative expenses	(450,000)	(890,001)	(2,038,500)	(2,998,088)
<b>Net income for the period</b>	<b>12,493,511</b>	<b>7,555,242</b>	<b>24,646,382</b>	<b>18,759,860</b>
<b>Basic and diluted earnings per share</b>	<b>0.62</b>	<b>0.38</b>	<b>1.23</b>	<b>0.94</b>
<b>Weighted average number of outstanding shares</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>



Chief Financial Officer (A)



Chief Executive Officer



Director

The accompanying notes from 1 to 13 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 OPERATIONS**  
**FOR THE THREE MONTH AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

	Three month ended 31 December 2013	Three month ended 31 December 2012	Twelve month ended 31 December 2013	Twelve month ended 31 December 2012
Note	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Shareholders' net income for the period	12,493,511	7,555,241	24,646,382	18,759,860
Unrealized fair value changes on available for sale investment	(6,458,250)	26,074	9,992,964	4,641,746
Provision for zakat and income tax	(750,000)	(500,000)	(3,000,000)	(2,750,000)
<b>Total comprehensive income for the period</b>	<b>5,285,261</b>	<b>7,081,315</b>	<b>31,639,346</b>	<b>20,651,606</b>
<b>Basic and diluted earnings per share</b>	<b>0.26</b>	<b>0.35</b>	<b>1.59</b>	<b>1.03</b>
<b>Weighted average number of outstanding shares</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>

  
 Chief Financial Officer (A)

  
 Chief Executive Officer

  
 Director

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.



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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2013**

	Share capital SR	Accumulated losses SR	Fair value reserve SR	Total SR
<b>Balance at 1 January 2012 (Audited)</b>	200,000,000	(52,138,055)	6,623,644	154,485,589
Shareholders' net income for the period	-	18,759,860	-	18,759,860
Unrealized fair value changes on available- for-sale investments - net	-	-	4,641,746	4,641,746
Provision for zakat and income tax	-	(2,750,000)	-	(2,750,000)
<b>Balance at 31 December 2012 (Audited)</b>	<b>200,000,000</b>	<b>(36,128,195)</b>	<b>11,265,390</b>	<b>175,137,195</b>
<b>Balance at 1 January 2013 (Audited)</b>	<b>200,000,000</b>	<b>(36,128,195)</b>	<b>11,265,390</b>	<b>175,137,195</b>
Shareholders' net income for the period	-	24,646,382	-	24,646,382
Unrealized fair value changes on available- for-sale investments - net	-	-	9,992,964	9,992,964
Provision for zakat and income tax	-	(3,000,000)	-	(3,000,000)
<b>Balance at 31 December 2013 (Un-audited)</b>	<b>200,000,000</b>	<b>(14,481,813)</b>	<b>21,258,354</b>	<b>206,776,541</b>



Chief Financial Officer (A)



Chief Executive Officer



Director

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2013**

	Twelve month ended 31 December 2013 SR (Un-audited)	Twelve month ended 31 December 2012 SR (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net surplus from insurance operations	262,258	15,198,895
Adjustments for:		
Depreciation	1,396,066	1,244,224
Gain on disposal of property and equipment	-	(4,388)
End-of-service indemnities, net	878,630	689,751
	<u>2,536,954</u>	<u>17,128,482</u>
Changes in operating assets and liabilities:		
Premiums and insurance balances receivable	(17,043,020)	(4,805,968)
Reinsurers' share of unearned premiums	(13,155,786)	30,608,981
Due from an affiliate	(865,385)	(1,871,945)
Reinsurers' share of outstanding claims	(58,969,976)	(792,452)
Deferred policy acquisition costs	(2,329,637)	4,038,427
Prepaid expenses and other assets	201,736	302,111
Accrued commission income	43,228	34,061
Unearned premiums	41,237,120	(46,687,302)
Outstanding claims	74,163,661	12,183,648
Unearned reinsurance commission	303,697	337,398
Reinsurance balances payable	10,163,608	(44,252,735)
Accrued expenses and other liabilities	(629,063)	4,048,866
<b>Net cash generated from (used in) operating activities</b>	<u>35,657,137</u>	<u>(29,728,428)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,720,954)	(2,144,199)
Proceeds from disposal of property and equipment	-	11,300
<b>Net cash used in investing activities</b>	<u>(2,720,954)</u>	<u>(2,132,899)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Due to shareholders' operations	9,159,023	(24,067,910)
<b>Net cash generated from (used in) financing activities</b>	<u>9,159,023</u>	<u>(24,067,910)</u>
<b>Net change in cash and cash equivalents</b>	<u>42,095,206</u>	<u>(55,929,237)</u>
Cash and cash equivalents at the beginning of the period	81,786,405	137,715,642
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>123,881,611</u>	<u>81,786,405</u>

Chief Financial Officer (A)

Chief Executive Officer

Director

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS**  
**FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER, 2013**

	Twelve month ended 31 December 2013 SR (Un-audited)	Twelve month ended 31 December 2012 SR (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	24,646,382	18,759,860
Adjustments for:		
Commission income	(605,027)	(678,404)
Realized fair value changes on available-for-sale investments	(25,655,323)	(7,212,038)
	(1,613,968)	10,869,418
Changes in operating assets and liabilities:		
Due from insurance operations	(9,395,055)	10,388,904
Accrued expenses and other liabilities	(265,523)	1,672,809
<b>Cash (used in) generated from operating activities</b>	<b>(11,274,546)</b>	<b>22,931,131</b>
Zakat paid	(2,192,282)	(1,446,178)
<b>Net cash (used in) generated from operating activities</b>	<b>(13,466,828)</b>	<b>21,484,953</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term deposits	(507,865)	13,524,006
Movement in other financial assets, net	39,507,095	(1,550,000)
Commission income received	833,716	268,466
<b>Net cash generated from investing activities</b>	<b>39,832,945</b>	<b>12,242,472</b>
<b>Net change in cash and cash equivalents</b>	<b>26,366,117</b>	<b>33,727,425</b>
Cash and cash equivalents at the beginning of the period	60,000,000	26,272,575
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>86,366,117</b>	<b>60,000,000</b>
<b>Non-cash transaction:</b>		
Unrealized gain on available-for-sale investments	9,992,964	4,641,746



Chief Financial Officer (A)



Chief Executive Officer



Director

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

**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 twelve month periods ended 31 December 2013 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 year'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 2012, 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 2012.

<b>Standard</b>	<b>Description</b>
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee benefits
Amendments to IFRS 7	Financial instruments: Disclosures on asset and liability offsetting
Amendments to IFRS 1	'First time adoption' on government loans
Amendments to IFRS 10, 11 and 12	Transition guidance
IFRIC 20	Stripping cost in the production phase of surface mine
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other entities
IFRS 13	Fair Value Measurement
IAS 27	Separate financial statements
IAS 28	Associates and joint ventures

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2013**

**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 January 2014:

<u>Standard</u>	<u>Description</u>
IFRS 9	Financial Instruments – Classification and measurement
Amendments to IFRS 7	Financial Instruments – Disclosures
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

**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**

	<b>31 December 2013 SR</b>	<b>31 December 2012 SR</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
Cash in hand	67,000	72,000
Cash at banks	83,285,745	41,650,405
Short-term deposits	40,528,866	40,064,000
	<b>123,881,611</b>	<b>81,786,405</b>

**Shareholders' operations**

	<b>31 December 2013 SR</b>	<b>31 December 2012 SR</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
Cash at banks	<b>86,366,117</b>	<b>60,000,000</b>

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**3. CASH AND CASH EQUIVALENTS (Continued)**

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

Short-term 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% as at 31 December 2013 (31 December 2012: 0.80% to 1.1%).

**4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE**

	31 December 2013 SR (Un-audited)	31 December 2012 SR (Audited)
Premiums receivable	5 91,589,538	73,594,210
Insurance and reinsurance receivables	1,563,971	1,206,173
Allowance for doubtful debts	(14,044,610)	(12,734,504)
	<b>79,108,899</b>	<b>62,065,879</b>

**5. RELATED PARTY TRANSACTIONS**

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

	31 December 2013 SR (Un-audited)	31 December 2012 SR (Audited)
Gross premium received from Directors and their related parties	1,648,337	1,810,711
Gross premium received from key management personnel	11,298	9,449
Compensation of key management personnel - other benefits	3,951,977	3,008,674
Amount received on behalf of an affiliate	849,543	-
Amount charged to an affiliate	1,714,928	2,144,915

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

	31 December 2013 SR (Un-audited)	31 December 2012 SR (Audited)
Premiums receivable from key management personnel, Directors and their related parties	125,767	561,589
Claims payable to Directors and related parties / affiliate	(567,763)	(871,150)
Due from an affiliate	2,737,330	1,871,945

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**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	Others SR	Total SR
<b>For the three month period ended 31 December 2013 (Un-audited)</b>					
Gross premiums written	14,093,657	31,665,137	5,361,573	19,370,291	70,490,658
Net premiums written	14,093,657	31,657,598	383,109	7,704,126	53,838,490
Net premium earned	11,644,934	24,506,281	1,126,036	14,500,843	51,778,094
Reinsurance commission	(1,070,719)	55,262	2,458,848	1,279,982	2,723,373
Other underwriting income	-	7,900	1,266	10,529	19,695
Total revenue	10,574,215	24,569,443	3,586,150	16,791,354	54,521,162
Gross claims paid	(6,990,284)	(17,639,417)	(2,856,943)	(8,027,116)	(35,513,760)
Reinsurers' share of claims paid	2,204,993	114,339	2,580,598	2,718,826	7,618,756
Changes in outstanding claims	5,065,959	(12,589,674)	(999,731)	2,915,484	(5,607,962)
Net incurred claims	280,668	(30,114,752)	(1,276,076)	(2,392,806)	(33,502,966)
Other underwriting expenses	(3,815,339)	(3,853,422)	(1,165,351)	(1,069,551)	(9,903,663)
Other general and administrative expenses (unallocated)					(11,454,733)
<b>Deficit from insurance operations</b>					(340,200)
Commission income on bank deposits					113,826
<b>Net deficit from insurance operations</b>					(226,374)

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**6. SEGMENTAL INFORMATION (Continued)**

	Medical SR	Motor SR	Property SR	Others SR	Total SR
<b>For the twelve month period ended 31 December 2013 (Un-audited)</b>					
Gross premiums written	44,508,962	106,830,833	122,196,882	73,654,229	347,190,906
Net premiums written	44,508,962	105,820,676	4,399,074	38,663,777	193,392,489
Net premium earned	42,630,979	82,668,925	3,828,399	36,182,852	165,311,155
Reinsurance commission	7,585,093	202,028	8,621,795	4,814,219	21,223,135
Other underwriting income	-	42,889	9,730	43,534	96,153
Total revenue	50,216,072	82,913,842	12,459,924	41,040,605	186,630,443
Gross claims paid	(28,314,533)	(59,975,050)	(7,306,613)	(21,853,240)	(117,449,436)
Reinsurer's share of claims paid	6,357,404	1,452,476	2,580,598	11,849,266	22,239,744
Changes in outstanding claims	3,397,042	(17,052,039)	(2,621,454)	1,082,766	(15,193,685)
Net incurred claims	(18,560,087)	(75,574,613)	(7,347,469)	(8,921,208)	(110,403,377)
Other underwriting expenses	(7,263,265)	(11,583,606)	(3,924,981)	(8,493,355)	(31,265,206)
Other general and administrative expenses (unallocated)					(45,100,719)
<b>Deficit from Insurance operations</b>					(138,859)
Commission income on bank deposits					401,117
<b>Net deficit from insurance operations</b>					<u>262,258</u>
<b>As at 31 December 2013 (Un-audited)</b>					
	Medical SR	Motor SR	Property SR	Others SR	Total SR
<b>Insurance operations' assets</b>					
Reinsurers' share of unearned premiums	-	-	37,607,395	19,832,512	57,439,907
Reinsurers' share of outstanding claims	1,254,506	775,866	60,642,848	42,449,770	105,122,990
Deferred policy acquisition costs	4,940,066	3,394,692	1,308,141	2,407,506	12,050,405
Unallocated assets					214,671,952
<b>Total assets</b>	<b>6,194,572</b>	<b>4,170,558</b>	<b>99,558,384</b>	<b>64,689,788</b>	<b>389,285,254</b>
<b>Insurance operations' liabilities</b>					
Unearned premiums	24,320,257	41,462,694	38,712,029	27,857,873	132,352,853
Outstanding claims	11,714,321	48,611,139	65,870,243	55,241,839	181,437,542
Unearned reinsurance commission	219,998	-	3,145,644	2,136,188	5,501,830
Unallocated liabilities					69,993,029
<b>Total liabilities</b>	<b>36,254,576</b>	<b>90,073,833</b>	<b>107,727,916</b>	<b>85,236,900</b>	<b>389,285,254</b>



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**6. SEGMENTAL INFORMATION (Continued)**

	Medical SR	Motor SR	Property SR	Others SR	Total SR
<b>For the three month period ended 31 December 2012 (Audited)</b>					
Gross premiums written	9,302,744	10,426,762	3,131,959	12,382,928	35,244,393
Net premiums written	9,302,744	10,423,381	452,792	6,857,118	27,036,035
Net premium earned	16,927,231	14,750,091	1,029,812	13,880,321	46,587,455
Reinsurance commission	-	47,500	1,707,291	1,198,210	2,953,001
Other underwriting income	-	8,280	1,125	8,760	18,165
Total revenue	16,927,231	14,805,871	2,738,228	15,087,291	49,558,621
Gross claims paid	(12,036,946)	(14,294,667)	(2,443,068)	(9,742,999)	(38,517,680)
Reinsurer's share of claims paid	4,939,485	199,324	2,160,467	4,265,784	11,565,060
Changes in outstanding claims	(4,727,995)	2,481,275	373,309	2,535,233	661,822
Net incurred claims	(11,825,456)	(11,614,068)	90,708	(2,941,982)	(26,290,798)
Other underwriting expenses	(4,189,306)	(1,838,717)	(961,538)	(1,070,450)	(8,060,011)
Other general and administrative expenses (unallocated)					(9,439,991)
<b>Surplus from insurance operations</b>					5,767,821
Commission income on bank deposits					138,001
<b>Net surplus from insurance operations</b>					<b>5,905,822</b>
	Medical SR	Motor SR	Property SR	Others SR	Total SR
<b>For the twelve month period ended 31 December 2012 (Audited)</b>					
Gross premiums written	64,705,279	59,574,320	54,485,071	55,328,077	234,092,747
Net premiums written	64,238,833	58,634,095	2,793,131	32,957,695	158,623,754
Net premium earned	78,513,050	60,827,717	2,575,769	35,945,084	177,861,620
Reinsurance commission	-	188,045	6,312,219	3,952,540	10,452,804
Other underwriting income	1,250	112,920	8,980	41,203	164,353
Total revenue	78,514,300	61,128,682	8,896,968	39,938,827	188,478,777
Gross claims paid	(34,386,071)	(58,087,547)	(7,789,792)	(21,476,588)	(121,739,998)
Reinsurer's share of claims paid	14,995,122	2,153,556	6,335,616	8,300,691	31,784,985
Changes in outstanding claims	(7,326,448)	(2,550,229)	(39,522)	(1,474,997)	(11,391,196)
Net incurred claims	(26,717,397)	(58,484,220)	(1,493,698)	(14,650,894)	(101,346,209)
Other underwriting expenses	(11,760,416)	(8,002,057)	(3,894,002)	(10,244,639)	(33,901,114)
Other general and administrative expenses (unallocated)					(38,871,459)
<b>Surplus from insurance operations</b>					14,359,995
Commission income on bank deposits					838,900
<b>Net surplus from insurance operations</b>					<b>15,198,895</b>

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**6. SEGMENTAL INFORMATION (Continued)**

	Medical SR	Motor SR	Property SR	Others SR	Total SR
<b>As at 31 December 2012 (Audited)</b>					
<b>Insurance operations' assets</b>					
Reinsurers' share of unearned premiums	(523,008)	-	21,477,960	23,329,169	44,284,121
Reinsurers' share of outstanding claims	5,728,240	1,673,687	9,584,618	29,166,469	46,153,014
Deferred policy acquisition costs	4,766,098	1,531,124	956,425	2,467,121	9,720,768
Unallocated assets	-	-	-	-	153,588,417
<b>Total assets</b>	<b>9,971,330</b>	<b>3,204,811</b>	<b>32,019,003</b>	<b>54,962,759</b>	<b>253,746,320</b>
<b>Insurance operations' liabilities</b>					
Unearned premiums	21,918,838	18,310,943	22,011,958	28,873,994	91,115,733
Outstanding claims	19,605,388	32,456,920	12,190,559	43,021,014	107,273,881
Unearned reinsurance commission	219,998	-	2,389,327	2,588,808	5,198,133
Unallocated liabilities	-	-	-	-	50,158,573
<b>Total liabilities</b>	<b>41,744,224</b>	<b>50,767,863</b>	<b>36,591,844</b>	<b>74,483,816</b>	<b>253,746,320</b>

**Geographical segments**

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:

	31 December 2013 SR (Un-audited)	31 Decemb 2012 SR (Audited)
Available-for-sale	53,941,698	57,800,506
Advances towards investments	500,000	500,000
Held-to-maturity	6,500,000	6,500,000
	<b>60,941,698</b>	<b>64,800,506</b>

**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 capital of the Company. No such transfer has been made during the year due to accumulated losses at the year end

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**10. EARNINGS PER SHARE**

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

Basic and diluted earnings per share from shareholders' comprehensive operations is calculated by dividing total comprehensive income for the period by weighted average number of ordinary shares outstanding during the period.

**11. 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 expenses and other liabilities.

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

*Determination of fair value and fair value hierarchy*

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

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

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation technique for which any significant input is not based on observable market data

The table below presents the financial assets which are carried at fair values as at 31 December 2013 and 31 December 2012 based on their value hierarchy

**As at 31 December 2013 (Un-audited)**

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Available-for-sale investments	51,218,620	-	2,723,078	53,941,698
Advances towards investments	-	-	500,000	500,000
Held to maturity	-	6,500,000	-	6,500,000
	<u>51,218,620</u>	<u>6,500,000</u>	<u>3,223,078</u>	<u>60,941,698</u>

**As at 31 December 2012 (Audited)**

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Available-for-sale investments	55,077,428	-	2,723,078	57,800,506
Advances towards investments	-	-	500,000	500,000
Held to maturity	-	6,500,000	-	6,500,000
	<u>55,077,428</u>	<u>6,500,000</u>	<u>3,223,078</u>	<u>64,800,506</u>

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**11. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

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 twelve-month period ended December 31, 2013, 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.

**12. CONTINGENCIES**

During 2011, one of the Company's agents filed a law suit of Saudi Riyal 74.7 million against the Company towards unsubstantiated amounts and damages as a result of alleged breach of agreement. Management believes that the outcome of this case in plaintiff's favour is remote as there is no valid base for this case; accordingly no provision has been made.

**13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 15 January 2014.