

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REVIEW REPORT  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

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**INDEPENDENT AUDITORS' REVIEW REPORT  
TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF REVIEW:**

We have reviewed the accompanying reissued condensed interim statement of financial position of Al Alamiya for Cooperative Insurance Company (a Saudi Joint Stock Company) ("the Company") as at June 30, 2011, and the related reissued condensed interim statements of insurance operations, shareholders' comprehensive income for the three and six months then ended, reissued condensed interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the six months then ended and the notes 1 to 17 which form an integral part of these reissued condensed interim financial statements. These reissued condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) and submitted to us together with all the information and explanations which we required.

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

**CONCLUSION:**

Based on our review, we are not aware of any material modifications that should be made to the accompanying reissued condensed interim financial statements for them to be in conformity with International Accounting Standard 34 - Interim Financial Reporting (IAS 34).

**EMPHASIS OF MATTERS:**

We draw attention to the following:

1. Note 2 to these reissued condensed interim financial statements, which states that the Company reissued these condensed interim financial statements as at June 30, 2011 and the reasons for the explanatory paragraph in our Review Report dated July 13, 2011 on those condensed interim financial statements are no longer relevant, having received the approval from the respective regulatory parties on the transfer of insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited.

**INDEPENDENT AUDITORS' REVIEW REPORT (Continued)**  
**TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

2. Note 3 to these reissued condensed interim financial statements, which states that the comparative figures for the three and six months ended June 30, 2010 have been reinstated to include the effect of insurance operations. These reinstated financial statements were neither published nor the related review reports were issued.
3. These reissued condensed interim financial statements are prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

Deloitte & Touche  
Bakr Abulkhair & Co.

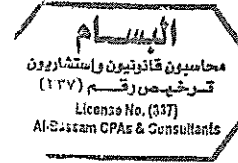
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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**REISSUED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2011**

	Note	June 30, 2011 SR (Un-audited)	December 31, 2010 SR (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	31,492,861	39,269,809
Investment		2,473,079	2,423,079
Premiums and insurance balances receivable	7,8	84,582,471	65,829,056
Reinsurers' share of unearned premiums		30,130,000	26,357,000
Reinsurers' share of outstanding claims		99,785,628	39,153,628
Deferred policy acquisition costs		6,810,716	6,373,620
Prepayments and other assets		3,834,012	1,534,541
Due from related parties		19,775,664	16,374,738
Due from shareholders' operations		24,527,612	15,390,122
Due from shareholders' operations-current account		3,999,524	727,156
Property and equipment		1,142,612	1,551,982
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>308,554,179</b>	<b>214,984,731</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	6	17,412,981	27,413,104
Time deposits		140,418,965	130,007,078
Other assets		422,490	140,945
Statutory deposit	9	20,000,000	20,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>178,254,436</b>	<b>177,561,127</b>
<b>TOTAL ASSETS</b>		<b>486,808,615</b>	<b>392,545,858</b>

The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**REISSUED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT JUNE 30, 2011**

	June 30, 2011 SR (Un-audited)	December 31, 2010 SR (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Accounts payable	10,290,119	8,920,031
Reinsurance balances payable	8 21,306,838	9,665,622
Unearned reinsurance commission income	5,418,824	3,049,002
Gross unearned premiums	81,765,000	72,975,000
Gross outstanding claims	8 164,014,318	97,700,583
Accrued expenses and other liabilities	8 18,109,804	15,076,452
End-of-service indemnities	8 7,649,276	7,598,041
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>308,554,179</b>	<b>214,984,731</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Due to policyholders' operations	24,527,612	15,390,122
Due to policyholders' operations-current account	3,999,524	727,156
Accrued expenses and other liabilities	8 3,570,124	3,908,789
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>32,097,260</b>	<b>20,026,067</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	10 200,000,000	200,000,000
Accumulated losses	(53,842,824)	(42,464,940)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>146,157,176</b>	<b>157,535,060</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>178,254,436</b>	<b>177,561,127</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>486,808,615</b>	<b>392,545,858</b>

The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

**REISSUED CONDENSED INTERIM STATEMENT OF INSURANCE OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

		Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Note	SR	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>REVENUES</b>					
Gross written premiums	8	52,708,557	46,705,855	111,802,271	93,975,258
Less: Reinsurance premiums ceded	8	(21,492,276)	(16,841,811)	(43,445,858)	(31,618,664)
Excess of loss premiums		(1,584,761)	(2,616,643)	(4,074,649)	(4,935,951)
<b>NET PREMIUMS WRITTEN</b>		<b>29,631,520</b>	<b>27,247,401</b>	<b>64,281,764</b>	<b>57,420,643</b>
Changes in unearned premiums, net		(1,696,000)	(2,657,000)	(5,017,000)	(6,948,000)
<b>NET PREMIUMS EARNED</b>		<b>27,935,520</b>	<b>24,590,401</b>	<b>59,264,764</b>	<b>50,472,643</b>
Gross claims paid and other expenses	8	(37,016,811)	(32,246,720)	(55,322,799)	(59,429,589)
Reinsurers' share of gross claims paid	8	14,733,727	13,596,276	19,205,109	25,902,715
Changes in outstanding claims, net		1,888,487	(1,083,875)	(5,681,735)	(9,025,729)
<b>NET CLAIMS INCURRED</b>		<b>(20,394,597)</b>	<b>(19,734,319)</b>	<b>(41,799,425)</b>	<b>(42,552,603)</b>
Policy acquisition costs		(4,049,502)	(2,097,922)	(8,642,519)	(5,683,512)
Reinsurance commission income	8	3,637,745	2,286,646	7,938,868	8,546,700
Other underwriting expenses		(241,024)	(741,394)	(554,430)	(1,218,569)
<b>NET UNDERWRITING RESULT</b>		<b>6,888,142</b>	<b>4,303,412</b>	<b>16,207,258</b>	<b>9,564,659</b>
Operating and administrative salaries		(6,072,996)	(6,126,988)	(13,244,047)	(12,190,552)
Other general and administrative expenses	8	(7,670,874)	(9,262,633)	(12,143,252)	(16,082,406)
Special commission income		24,466	20,962	43,047	35,919
Other income (expenses), net		21,399	(32,524)	(496)	196,816
<b>INSURANCE OPERATIONS' DEFICIT</b>		<b>(6,809,863)</b>	<b>(11,097,771)</b>	<b>(9,137,490)</b>	<b>(18,475,564)</b>
Insurance operations' deficit transferred to shareholders' comprehensive income		6,809,863	11,097,771	9,137,490	18,475,564
<b>Insurance operations' deficit after shareholders' appropriation</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

REISSUED CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE  
INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

		Three months ended June 30, 2011 SR	Three months ended June 30, 2010 SR	Six months ended June 30, 2011 SR	Six months ended June 30, 2010 SR
	Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Insurance operations' deficit		(6,809,863)	(11,097,771)	(9,137,490)	(18,475,564)
Special commission income		278,635	224,835	592,877	521,821
General and administrative expenses	8	(6,531,228) (571,783)	(10,872,936) (505,025)	(8,544,613) (1,233,378)	(17,953,743) (1,105,050)
<b>Net loss for the period</b>		<b>(7,103,011)</b>	<b>(11,377,961)</b>	<b>(9,777,991)</b>	<b>(19,058,793)</b>
<b>Other comprehensive expenses</b>					
Zakat and income tax		(797,380)	(816,606)	(1,599,893)	(1,633,212)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(7,900,391)</b>	<b>(12,194,567)</b>	<b>(11,377,884)</b>	<b>(20,692,005)</b>
<b>Loss per share for the period</b>	14	<b>(0.36)</b>	<b>(0.57)</b>	<b>(0.49)</b>	<b>(0.95)</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>



The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements



AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

REISSUED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS'  
EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2011

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	Share capital SR	Accumulated losses SR	Total SR
January 1, 2010 (un-audited)	200,000,000	(19,456,852)	180,543,148
Net loss for the period	-	(19,058,793)	(19,058,793)
Zakat and Income tax	-	(1,633,212)	(1,633,212)
June 30, 2010 (un-audited)	200,000,000	(40,148,857)	159,851,143
January 1, 2011 (audited)	200,000,000	(42,464,940)	157,535,060
Net loss for the period	-	(9,777,991)	(9,777,991)
Zakat and Income tax	-	(1,599,893)	(1,599,893)
June 30, 2011 (un-audited)	200,000,000	(53,842,824)	146,157,176



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The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**REISSUED CONDENSED INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	Six months ended June 30, 2011 SR	Six months ended June 30, 2010 SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Insurance operations' surplus after shareholders' appropriation	-	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation	410,470	568,715
End-of-service indemnities	962,500	1,200,000
	<u>1,372,970</u>	<u>1,768,715</u>
Premiums and insurance balances receivable	(18,753,415)	7,317,169
Reinsurance share of unearned premiums	(3,773,000)	4,467,000
Reinsurers' share of outstanding claims	(60,632,000)	7,420,092
Deferred policy acquisition costs	(437,096)	(1,886,722)
Prepayments and other assets	(2,299,471)	(456,283)
Due from related parties	(3,311,178)	(6,961,252)
Due from shareholders' operations	(9,137,490)	(14,347,250)
Due from shareholders' operations-current account	(3,272,368)	10,624,445
Due to shareholders' operations	-	(4,128,314)
Accounts payable	1,370,088	(3,987,475)
Reinsurance balances payable	11,641,216	2,831,945
Unearned reinsurance commission income	2,369,822	(2,149,279)
Gross unearned premiums	8,790,000	2,481,000
Gross outstanding claims	66,313,735	1,605,637
Accrued expenses and other liabilities	3,033,352	3,363,818
	<u>(6,724,835)</u>	<u>7,963,246</u>
<b>Cash (used in) generated from operations</b>		
End-of-service indemnities paid	(1,001,013)	(2,378,136)
<b>Net cash (used in) from operating activities</b>	<u>(7,725,848)</u>	<u>5,585,110</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,100)	(1,001,798)
Investment	(50,000)	-
<b>Net cash used in investing activities</b>	<u>(51,100)</u>	<u>(1,001,798)</u>
<b>Net change in cash and cash equivalents</b>	<u>(7,776,948)</u>	<u>4,583,312</u>
Cash and cash equivalents, January 1	39,269,809	30,426,517
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>31,492,861</u>	<u>35,009,829</u>
<b>Non-cash transaction:</b>		
End-of-service indemnities	89,748	-



The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**REISSUED CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS'**  
**CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	Six months ended June 30, 2011 SR	Six months ended June 30, 2010 SR
	(Un-audited )	(Un-audited )
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(9,777,991)	(19,058,793)
Changes in assets and liabilities:		
Other assets	(281,545)	247,856
Statutory deposit	-	(20,000,000)
Due from policyholders' operations	-	4,128,314
Due to related parties	-	(14,187,523)
Due to policyholders' operations	9,137,490	14,347,250
Due to policyholders' operations-current account	3,272,368	(10,624,445)
Accrued expenses and other liabilities	965,606	1,148,994
<b>Cash generated from (used in) operations</b>	<b>3,315,928</b>	<b>(43,998,347)</b>
Zakat paid	(2,904,164)	-
<b>Net cash from (used in) operating activities</b>	<b>411,764</b>	<b>(43,998,347)</b>
<b>INVESTING ACTIVITIES</b>		
Time deposits	(10,411,887)	59,914,878
<b>Net cash (used in) from investing activities</b>	<b>(10,411,887)</b>	<b>59,914,878</b>
<b>Net change in cash and cash equivalents</b>	<b>(10,000,123)</b>	<b>15,916,531</b>
Cash and cash equivalents, January 1	27,413,104	-
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>17,412,981</b>	<b>15,916,531</b>

The accompanying notes 1 to 17 form an integral part of these reissued condensed interim financial statements

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Al Alamiya for Cooperative Insurance Company ("the Company") is a Saudi joint stock company registered on 29 Dhu-al Qu'dah, 1430H (November 17, 2009) under commercial registration number 4030194978.

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (December 13, 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

The Company's principal place of business is in Jeddah, Kingdom of Saudi Arabia.

**2. ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO**

The Company started its insurance operations on February 13, 2010. The Company's Board of Directors approved on April 14, 2010, to transfer insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabia Operations and Al Alamiya for Commerce and Services Limited, to the Company after completing the related procedures as required under the Saudi Arabian Monetary Agency (SAMA's) letter addressed to the Company on March 24, 2010. The transfer of insurance portfolio and net assets has been approved by the shareholders at their General Assembly Meeting.

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million.

Following the approval on the transfer from the respective authorities in 2012, the management has reissued its condensed interim financial statements for three and six months ended June 30, 2011 to include the effect of the transfer.

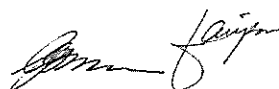
**3. BASIS OF PRESENTATION**

**Statement of Compliance**

The reissued condensed interim financial statements for the three and six months ended June 30, 2011 have been prepared in accordance with International Accounting Standard No. 34 – Interim Financial Reporting.

The comparative figures for the three and six months ended June 30, 2010 have been reinstated to include the effect of insurance operations, therefore, these reinstated statements were neither published nor the related review reports were issued.

The reissued condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual reissued financial statements for the period ended December 31, 2010. In management's opinion, the reissued condensed interim financial statements reflects all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.



**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES**

The reissued condensed interim financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The same accounting policies, presentation and methods of computation are followed in these reissued condensed interim financial statements which were applied in the preparation of the Company's financial statements for the period ended December 31, 2010, except for the impact of the adoption of the Standards and Interpretations described below:

*Amendments/Improvements to International Financial Reporting Standards (IFRSs)*

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements as of and for the period ended December 31, 2010, except for the adoption of new standards, improvements, amendments and revisions which are effective for the current interim financial statements.

None of the new standards, amendments and revisions to standards that have been adopted in the current period which are effective for annual period beginning on or after January 1, 2011 has affected the disclosures and presentations in the accompanying condensed interim financial statements.

**5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the reissued condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these reissued condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the reissued financial statements as at and for the period ended December 31, 2010.

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following:

	Insurance Operations		Shareholders' Operations	
	June 30, 2011 SR	December 31, 2010 SR	June 30, 2011 SR	December 31, 2010 SR
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Cash in hand	59,304	52,383	-	-
Cash at banks- Current accounts	1,381,215	9,185,453	17,412,981	27,413,104
- Time deposits	30,052,342	30,031,973	-	-
	<b>31,492,861</b>	<b>39,269,809</b>	<b>17,412,981</b>	<b>27,413,104</b>

Included in cash and cash equivalents is SR 19.3 million (December 31, 2010: SR 33.51 million) associated with the portfolio transfer process which is currently held in the name of related parties on behalf of the Company.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	June 30, 2011 SR	December 31, 2010 SR
	(Un-audited)	(Audited)
Premiums receivable	54,221,963	45,216,048
Receivables from insurance and reinsurance companies	13,637,836	6,080,675
Receivables from related parties	32,369,969	23,994,046
Reinsurance receivable from related parties	-	2,262,514
	<b>100,229,768</b>	<b>77,553,283</b>
Less: allowance for doubtful debts	<b>(15,647,297)</b>	<b>(11,724,227)</b>
	<b>84,582,471</b>	<b>65,829,056</b>

Allowance for doubtful debts includes SR 4,394,492 (December 31, 2010: SR 1,559,947) against receivables from related parties.

8. RELATED PARTY TRANSACTIONS

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

Related parties	Nature of transactions	Six months ended June 30, 2011 SR	Six months ended June 30, 2010 SR
		(Un-audited)	(Un-audited)
Shareholders/affiliates	Gross written premiums	33,460,289	24,903,193
	Gross claims paid and other expenses	28,579,649	16,673,417
	Reinsurance premiums ceded	9,925,270	6,101,970
	Reinsurers' share of gross claims paid	3,793,590	8,582,700
	Reinsurance commission income	3,034,203	1,858,451
	Outsourced service charges	3,167,500	3,030,000
	Brand fee	15,050	15,050
Board of Directors	Remuneration and meeting fee	375,000	375,000

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

8. RELATED PARTY TRANSACTIONS (Continued)

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

Related parties	Nature of transactions	June 30, 2011 SR	December 31, 2010 SR
		(Unaudited )	(Audited)
Shareholders/affiliates	Gross written premiums	32,369,969	23,994,046
	Gross claims paid and other expenses	(60,746,171)	(14,989,753)
	Reinsurance premiums ceded	(556,405)	-
	Reinsurers' share of gross claims paid	-	2,262,514
	Outsourced service charges	(8,812,894)	(5,647,066)
	Brand fee	(45,150)	(30,100)
Board of Directors	Remuneration and meeting fee	(875,000)	(500,000)

Compensation of key management personnel

The remuneration of key management personnel during the period were as follows:

	Six months ended June 30, 2011 SR	Six months ended June 30, 2010 SR
	(Un-audited)	(Un-audited)
Salaries and benefits	3,073,548	2,451,086
End-of-service indemnities	36,852	166,108
	<u>3,110,400</u>	<u>2,617,194</u>

9. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

10. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at the period end consisting of 20 million shares of SR 10 each.

11. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by the appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution. No appropriation has been made because the Company has incurred loss during the period.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

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**12. COMMITMENTS AND CONTINGENCIES**

**Goodwill**

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million. The amount will be paid in accordance with SAMA's instructions therein which include among other matters, the following conditions:

- The Company shall maintain solvency ratios and minimum capital requirements as per the guidelines prescribed by SAMA in this respect;
- No payment of goodwill will be made in the year when the Company reports a loss and the goodwill shall not be paid out of any retained earnings from earlier years;
- The payment is restricted to 50% of the profit earned in the current year; and
- Limitation will be placed by SAMA on the period during which payments can be made.

In view of the current year losses and the requirements set by SAMA in this respect as illustrated above, and the fact that the Company is not in a position to make the initial payment of goodwill, the goodwill has not been recorded as a liability and hence was reflected as a contingent liability in the reissued financial statements pending compliance with SAMA requirements in this respect and their approval for payment.

**Legal proceedings**

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 these court cases will not have a material impact on the Company's income or financial condition.

**13. SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, operating 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, other general and administrative expenses, special commission income and other (expenses) income, net.

Segment assets do not include cash and cash equivalents, investment in a company, premiums and insurance balances receivable, prepayments and other assets, due from related parties, due from shareholders operations, and property and equipment.

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





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NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the three months ended June 30, 2011	Property SR (Un-audited)	Motor SR (Un-audited)	Engineering SR (Un-audited)	Medical SR (Un-audited)	Marine SR (Un-audited)	Others SR (Un-audited)	Total SR (Un-audited)
<b>Insurance operations</b>							
Gross written premiums	8,520,914	18,648,899	8,829,912	4,716,953	6,661,933	5,329,946	52,708,557
Reinsurance premiums ceded	(7,382,326)	-	(7,130,329)	(2,751,972)	(2,260,477)	(1,967,172)	(21,492,276)
Excess of loss premiums	(313,063)	(236,570)	(570,944)	(83,224)	(155,831)	(225,129)	(1,584,761)
Net premiums written	825,525	18,412,329	1,128,639	1,881,757	4,245,625	3,137,645	29,631,520
Change in unearned premiums, net	(186,048)	(338,996)	(352,202)	(88,999)	(483,995)	(245,760)	(1,696,000)
Net premiums earned	639,477	18,073,333	776,437	1,792,758	3,761,630	2,891,885	27,935,520
Gross claims paid and other expenses	(11,547,885)	(16,865,012)	(2,792,972)	(1,689,983)	(1,456,985)	(2,663,974)	(37,016,811)
Reinsurers' share of gross claims paid	10,279,371	-	1,675,383	624,993	67,000	2,086,980	14,733,727
Change in outstanding claims, net	(552,895)	4,473,956	(1,855,481)	(16,001)	(392,796)	231,704	1,888,487
Net claims incurred	(1,821,409)	(12,391,056)	(2,973,070)	(1,080,991)	(1,782,781)	(345,290)	(20,394,597)
Policy acquisition costs	(624,247)	(2,120,838)	(587,596)	(137,672)	(237,858)	(341,291)	(4,049,502)
Reinsurance commission income	1,821,168	-	899,951	-	237,727	678,899	3,637,745
	14,989	3,561,439	(1,884,278)	574,095	1,978,718	2,884,203	7,129,166
Other underwriting expenses	-	-	-	-	-	-	(241,024)
Net underwriting result							6,888,142
Operating and administrative salaries							(6,072,996)
Other general and administration expenses							(7,670,874)
Special commission income							24,466
Other income, net							21,399
Insurance operations' deficit							(6,809,863)

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the six months ended  
June 30, 2011

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>Insurance operations</b>							
Gross written premiums	18,652,813	43,239,957	15,080,849	6,972,930	14,486,855	13,368,867	111,802,271
Reinsurance premiums ceded	(15,829,642)	-	(11,311,987)	(2,978,970)	(7,263,127)	(6,062,132)	(43,445,858)
Excess of loss premiums	(715,645)	(922,951)	(1,110,931)	(118,963)	(727,997)	(478,162)	(4,074,649)
Net premiums written	2,107,526	42,317,006	2,657,931	3,874,997	6,495,731	6,828,573	64,281,764
Change in unearned premiums, net	(970,040)	(7,122,937)	748,787	(267,998)	3,946,960	(1,351,772)	(5,017,000)
Net premiums earned	1,137,486	35,194,069	3,406,718	3,606,999	10,442,691	5,476,801	59,264,764
Gross claims paid and other expenses	(13,908,861)	(26,667,086)	(3,667,963)	(3,908,961)	(3,239,968)	(3,929,960)	(55,322,799)
Reinsurers' share of gross claims paid	12,157,379	-	2,290,777	1,474,985	321,997	2,959,971	19,205,109
Change in outstanding claims, net	(3,511,265)	237,603	(2,520,475)	(39,000)	186,099	(34,697)	(5,681,735)
Net claims incurred	(5,262,747)	(26,429,483)	(3,897,661)	(2,472,976)	(2,731,872)	(1,004,686)	(41,799,425)
Policy acquisition costs	(1,331,898)	(4,264,488)	(1,348,924)	(274,015)	(722,991)	(700,203)	(8,642,519)
Reinsurance commission income	3,822,108	-	1,624,824	(12,000)	1,239,023	1,264,913	7,938,868
	(1,635,051)	4,500,098	(215,043)	848,008	8,226,851	5,036,825	16,761,688
Other underwriting expenses	-	-	-	-	-	-	(554,430)
Net underwriting result							16,207,258
Operating and administrative salaries							(13,244,047)
Other general and administration expenses							(12,143,252)
Special commission income							43,047
Other expenses, net							(496)
Insurance operations' deficit							(9,137,490)

As at June 30, 2011

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>Insurance operations' assets</b>							
Reinsurers' share of unearned premiums	10,514,845	-	9,837,696	2,483,975	3,357,966	3,935,518	30,130,000
Reinsurers' share of outstanding claims	67,785,222	4,843,993	18,394,716	3,552,964	632,094	4,576,639	99,785,628
Deferred policy acquisition costs	822,246	3,666,737	1,217,938	165,421	542,000	396,374	6,810,716
Unallocated assets	-	-	-	-	-	-	171,827,835
							308,554,179
<b>Insurance operations' liabilities</b>							
Unearned reinsurance commission income	2,362,576	-	1,701,012	-	1,022,000	333,236	5,418,824
Gross unearned premiums	12,100,879	35,162,648	13,465,865	5,827,942	6,661,933	8,545,733	81,765,000
Gross outstanding claims	73,646,264	40,637,635	29,972,700	5,225,948	5,551,944	8,979,827	164,014,318
Unallocated liabilities	-	-	-	-	-	-	57,356,037
							308,554,179

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**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the three months ended June 30, 2010	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>Insurance operations</b>							
Gross written premiums	7,078,929	16,813,153	7,932,921	5,000,950	5,386,947	4,492,955	46,705,855
Reinsurance premiums ceded	(6,481,435)	-	(5,312,747)	(2,530,974)	(687,993)	(1,828,662)	(16,841,811)
Excess of loss premiums	(202,812)	(543,622)	(1,408,825)	(155,115)	(163,101)	(143,168)	(2,616,643)
Net premiums written	394,682	16,269,531	1,211,349	2,314,861	4,535,853	2,521,125	27,247,401
Change in unearned premiums, net	55,999	(1,392,986)	(632,994)	85,999	(1,070,990)	297,972	(2,657,000)
Net premiums earned	450,681	14,876,545	578,355	2,400,860	3,464,863	2,819,097	24,590,401
Gross claims paid and other expenses	(12,187,878)	(13,330,907)	(1,246,988)	(2,911,972)	(1,852,982)	(715,993)	(32,246,720)
Reinsurers' share of gross claims paid	10,993,603	-	1,018,689	1,367,986	112,999	102,999	13,596,276
Change in outstanding claims, net	382,196	4,001,241	(6,716,132)	2,000	1,534,984	(288,164)	(1,083,875)
Net claims incurred	(812,079)	(9,329,666)	(6,944,431)	(1,541,986)	(204,999)	(901,158)	(19,734,319)
Policy acquisition costs	(514,558)	(1,108,744)	(575,140)	(8,956)	(137,325)	246,801	(2,097,922)
Reinsurance commission income	533,384	-	1,327,067	-	183,836	242,359	2,286,646
Other underwriting expenses	(342,572)	4,438,135	(5,614,149)	849,918	3,306,375	2,407,099	5,044,806
Net underwriting result	-	-	-	-	-	-	4,303,412
Operating and administrative salaries							(6,126,988)
Other general and administration expenses							(9,262,633)
Special commission income							20,962
Other expenses, net							(32,524)
Insurance operations' deficit							(11,097,771)

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**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the six months ended June 30, 2010	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>Insurance operations</b>							
Gross written premiums	15,394,846	37,440,822	13,017,870	7,592,924	9,446,906	11,081,890	93,975,258
Reinsurance premiums ceded	(13,865,961)	-	(8,788,112)	(2,956,970)	(1,120,989)	(4,886,632)	(31,618,664)
Excess of loss premiums	(472,489)	(1,355,423)	(2,229,085)	(324,138)	(274,293)	(280,523)	(4,935,951)
Net premiums written	1,056,396	36,085,399	2,000,673	4,311,816	8,051,624	5,914,735	57,420,643
Change in unearned premiums, net	(184,998)	(6,763,932)	278,997	209,998	294,997	(783,062)	(6,948,000)
Net premiums earned	871,398	29,321,467	2,279,670	4,521,814	8,346,621	5,131,673	50,472,643
Gross claims paid and other expenses	(24,150,758)	(21,970,964)	(2,696,973)	(6,019,940)	(3,319,967)	(1,270,987)	(59,429,589)
Reinsurers' share of gross claims paid	20,403,670	-	2,251,077	2,927,970	92,999	226,999	25,902,715
Change in outstanding claims, net	2,121,878	(4,206,677)	(7,177,928)	(28,000)	1,028,989	(763,991)	(9,025,729)
Net claims incurred	(1,625,210)	(26,177,641)	(7,623,824)	(3,119,970)	(2,197,979)	(1,807,979)	(42,552,603)
Policy acquisition costs	(693,168)	(2,393,445)	(1,911,338)	(238,319)	(289,053)	(158,189)	(5,683,512)
Reinsurance commission income	3,305,688	-	3,827,302	-	218,968	1,194,742	8,546,700
	1,858,708	750,381	(3,428,190)	1,163,525	6,078,557	4,360,247	10,783,228
Other underwriting expenses	-	-	-	-	-	-	(1,218,569)
Net underwriting result							9,564,659
Operating and administrative salaries							(12,190,552)
Other general and administration expenses							(16,082,406)
Special commission income							35,919
Other income, net							196,816
Insurance operations' deficit							<u>(18,475,564)</u>
<b>As at December 31, 2010</b>							
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>Insurance operations' assets</b>							
Reinsurers' share of unearned premiums	11,309,887	-	7,638,924	1,327,987	110,999	5,969,203	26,357,000
Reinsurers' share of outstanding claims	15,960,040	813,000	14,231,258	3,552,964	635,994	3,960,372	39,153,628
Deferred policy acquisition costs	794,158	3,627,562	771,880	306,437	360,000	513,583	6,373,620
Unallocated assets	-	-	-	-	-	-	143,100,483
							<u>214,984,731</u>
<b>Insurance operations' liabilities</b>							
Unearned reinsurance commission income	2,275,846	-	-	-	25,999	747,157	3,049,002
Gross unearned premiums	11,925,881	28,039,711	12,015,880	4,403,956	7,361,926	9,227,646	72,975,000
Gross outstanding claims	18,309,817	36,844,245	23,288,767	5,186,948	5,741,943	8,328,863	97,700,583
Unallocated liabilities	-	-	-	-	-	-	41,260,146
							<u>214,984,731</u>

**NOTES TO THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**

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**14. LOSS PER SHARE FOR THE PERIOD**

Loss per share for the period is calculated by dividing the net loss for the period by weighted average number of ordinary shares outstanding during the period.

**15. GEOGRAPHICAL DISTRIBUTION**

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia.

**16. RESULTS OF THE INTERIM PERIOD**

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

**17. APPROVAL OF THE REISSUED CONDENSED INTERIM FINANCIAL STATEMENTS**

The reissued condensed interim financial statements have been approved by the Board of Directors on March 28, 2012 corresponding to 5 Jumada I, 1433. Subsequently, on April 17, 2012 corresponding to 25 Jumada I, 1433, the shareholders approved the portfolio transfer at their General Assembly Meeting.

A handwritten signature in black ink, appearing to be 'Amr J. Al-Fayez', is located in the lower right quadrant of the page.