

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

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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

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

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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

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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 condensed interim statement of financial position of Al Alamiya for Cooperative Insurance Company (a Saudi joint stock company) ("the Company") as at June 30, 2012, and the related condensed interim statements of insurance operations and shareholders' comprehensive income for the three and six months then ended and 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 condensed interim financial statements. These 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 condensed interim financial statements for them to be in conformity with International Accounting Standard 34 - Interim Financial Reporting (IAS 34).

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

**EMPHASIS OF A MATTER:**

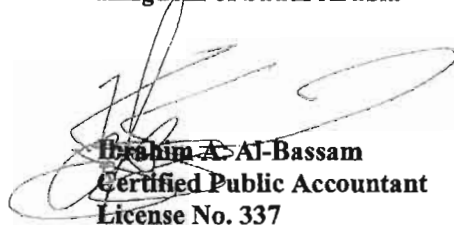
We draw attention to the fact that these condensed interim financial statements are prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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July 11, 2012



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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2012**

	Note	June 30, 2012 SR (Un-audited)	December 31, 2011 SR (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	40,140,389	44,007,199
Investment		2,473,079	2,473,079
Premiums and insurance balances receivable	7,8	91,112,873	91,363,256
Reinsurers' share of unearned premiums		39,951,217	36,425,889
Reinsurers' share of outstanding claims		78,960,677	90,373,628
Deferred policy acquisition costs		6,140,693	5,997,709
Prepayments and other assets		2,824,462	1,768,509
Due from related parties		30,837,502	25,504,866
Due from shareholders' operations		28,787,666	32,048,462
Property and equipment		1,288,625	986,969
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>322,517,183</b>	<b>330,949,566</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	6	29,384,780	24,455,671
Time deposits		90,554,578	118,205,017
Other assets		521,141	69,398
Investments		26,935,898	-
Due from insurance operations-current account		5,963,317	11,386,827
Statutory deposit	9	20,000,000	20,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>173,359,714</b>	<b>174,116,913</b>
<b>TOTAL ASSETS</b>		<b>495,876,897</b>	<b>505,066,479</b>

**Chief Financial Officer**  
Tommy Laupsa




**Managing Director**  
Michael William Jakeman



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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT JUNE 30, 2012**

	June 30, 2012 SR	December 31, 2011 SR
Note	(Un-audited)	(Audited)
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Accounts payable	6,171,471	11,035,157
Reinsurance balances payable	8 36,907,725	31,839,236
Unearned reinsurance commission income	8,216,011	4,544,143
Gross unearned premiums	100,811,000	90,251,887
Gross outstanding claims	8 126,895,141	151,176,419
Accrued expenses and other liabilities	8 29,675,227	23,902,830
Due to shareholders' operations-current account	5,963,317	11,386,827
Surplus distribution payable	362,311	-
End-of-service indemnities	8 7,514,980	6,813,067
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>322,517,183</b>	<b>330,949,566</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Due to insurance operations	28,787,666	32,048,462
Due to a related party	938,176	678,683
Accrued expenses and other liabilities	8 6,201,797	5,074,206
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>35,927,639</b>	<b>37,801,351</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	10 200,000,000	200,000,000
Unrealized loss on available for sale investments	(8,493)	-
Accumulated losses	(62,559,432)	(63,684,438)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>137,432,075</b>	<b>136,315,562</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>173,359,714</b>	<b>174,116,913</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>495,876,897</b>	<b>505,066,479</b>

**Chief Financial Officer**  
Tommy Laupsa




**Managing Director**  
Michael William Jakeman



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

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

**CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

	Note	Three months ended June 30, 2012 SR (Un-audited)	Three months ended June 30, 2011 SR (Un-audited)	Six months ended June 30, 2012 SR (Un-audited)	Six months ended June 30, 2011 SR (Un-audited)
<b>REVENUES</b>					
Gross written premiums	8	64,956,496	52,708,557	120,150,203	111,802,271
Less: Reinsurance premiums ceded	8	(23,700,292)	(21,492,276)	(51,281,034)	(43,445,858)
Excess of loss premiums		(2,149,670)	(1,584,761)	(5,201,332)	(4,074,649)
<b>NET PREMIUMS WRITTEN</b>		<b>39,106,534</b>	<b>29,631,520</b>	<b>63,667,837</b>	<b>64,281,764</b>
Changes in unearned premiums, net		(7,645,996)	(1,696,000)	(7,033,785)	(5,017,000)
<b>NET PREMIUMS EARNED</b>		<b>31,460,538</b>	<b>27,935,520</b>	<b>56,634,052</b>	<b>59,264,764</b>
Gross claims paid and other expenses	8	(35,399,701)	(37,016,811)	(62,288,698)	(55,322,799)
Reinsurers' share of gross claims paid	8	14,666,270	14,733,727	21,628,768	19,205,109
Changes in outstanding claims, net		5,449,372	1,888,487	12,868,327	(5,681,735)
<b>NET CLAIMS INCURRED</b>		<b>(15,284,059)</b>	<b>(20,394,597)</b>	<b>(27,791,603)</b>	<b>(41,799,425)</b>
Policy acquisition costs		(3,883,074)	(4,049,502)	(7,349,535)	(8,642,519)
Reinsurance commission income	8	5,235,734	3,637,745	9,336,104	7,938,868
Other underwriting expenses		(230,590)	(241,024)	(589,140)	(554,430)
<b>NET UNDERWRITING RESULT</b>		<b>17,298,549</b>	<b>6,888,142</b>	<b>30,239,878</b>	<b>16,207,258</b>
Operating and administrative salaries		(9,708,994)	(6,072,996)	(17,764,478)	(13,244,047)
Other general and administrative expenses	8	(5,812,360)	(7,670,874)	(8,979,139)	(12,143,252)
Special commission income		75,809	24,466	124,796	43,047
Other income (expenses), net		41,224	21,399	2,050	(496)
<b>INSURANCE OPERATIONS' SURPLUS (DEFICIT)</b>		<b>1,894,228</b>	<b>(6,809,863)</b>	<b>3,623,107</b>	<b>(9,137,490)</b>
Insurance operations' (surplus) deficit transferred to shareholders' comprehensive income		(1,704,805)	6,809,863	(3,260,796)	9,137,490
<b>Insurance operations' surplus after shareholders' appropriation</b>		<b>189,423</b>	<b>-</b>	<b>362,311</b>	<b>-</b>

Chief Financial Officer  
Tommy Laupsa




Managing Director  
Michael William Jakeman



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

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

**CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

	Note	Three months ended June 30, 2012 SR (Un-audited)	Three months ended June 30, 2011 SR (Un-audited)	Six months ended June 30, 2012 SR (Un-audited)	Six months ended June 30, 2011 SR (Un-audited)
Insurance operations' surplus (deficit)		1,704,805	(6,809,863)	3,260,796	(9,137,490)
Special commission income		330,382	278,635	560,169	592,877
General and administrative expenses	8	2,035,187 (1,139,649)	(6,531,228) (571,783)	3,820,965 (1,569,332)	(8,544,613) (1,233,378)
<b>Net income (loss) for the period</b>		<b>895,538</b>	<b>(7,103,011)</b>	<b>2,251,633</b>	<b>(9,777,991)</b>
<b>Other comprehensive expenses</b>					
Unrealized loss on available for sale investments		(8,493)	-	(8,493)	-
Zakat and income tax		(490,045)	(797,380)	(1,126,627)	(1,599,893)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>397,000</b>	<b>(7,900,391)</b>	<b>1,116,513</b>	<b>(11,377,884)</b>
<b>Earnings (loss) per share for the period</b>	14	<b>0.04</b>	<b>(0.36)</b>	<b>0.11</b>	<b>(0.49)</b>
<b>Weighted average number of outstanding shares</b>		<b>20,000,000</b>	20,000,000	<b>20,000,000</b>	20,000,000

**Chief Financial Officer**  
Tommy Laupsa




**Managing Director**  
Michael William Jakeman



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

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

	Share capital SR	Unrealized loss on available for sale investment SR	Accumulated losses SR	Total SR
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
January 1, 2012 (audited)	200,000,000	-	(63,684,438)	136,315,562
Net income for the period	-	-	2,251,633	2,251,633
Unrealized loss on available for sale investments	-	(8,493)	-	(8,493)
Zakat and income tax	-	-	(1,126,627)	(1,126,627)
June 30, 2012 (un-audited)	200,000,000	(8,493)	(62,559,432)	137,432,075

**Chief Financial Officer**  
Tommy Laupsa



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

**CONDENSED INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**





	Six months ended June 30, 2012 SR	Six months ended June 30, 2011 SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Insurance operations' surplus after shareholders' appropriation	362,311	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation	321,657	410,470
End-of-service indemnities	1,026,252	962,500
Gain on sale of property and equipment	(38,062)	-
	1,672,158	1,372,970
Premiums and insurance balances receivable	250,383	(18,753,415)
Reinsurance share of unearned premiums	(3,525,328)	(3,773,000)
Reinsurers' share of outstanding claims	11,412,951	(60,632,000)
Deferred policy acquisition costs	(142,984)	(437,096)
Prepayments and other assets	(1,055,953)	(2,299,471)
Due from related parties	(5,332,636)	(3,311,178)
Due from shareholders' operations	3,260,796	(9,137,490)
Due from shareholders' operations-current account	-	(3,272,368)
Accounts payable	(4,863,686)	-
Reinsurance balances payable	5,068,489	1,370,088
Unearned reinsurance commission income	3,671,868	11,641,216
Gross unearned premiums	10,559,113	2,369,822
Gross outstanding claims	(24,281,278)	8,790,000
Accrued expenses and other liabilities	5,772,397	66,313,735
Due to shareholders' operations-current account	(5,423,510)	3,033,352
<b>Cash used in operations</b>	(2,957,220)	(6,724,835)
End-of-service indemnities paid	(324,339)	(1,001,013)
<b>Net cash used in operating activities</b>	(3,281,559)	(7,725,848)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(664,433)	(1,100)
Proceeds from sale of property and equipment	79,182	-
Investment	-	(50,000)
<b>Net cash used in investing activities</b>	(585,251)	(51,100)
<b>Net change in cash and cash equivalents</b>	(3,866,810)	(7,776,948)
Cash and cash equivalents, January 1	44,007,199	39,269,809
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	40,140,389	31,492,861
<b>Non-cash transaction:</b>		
End-of-service indemnities	-	89,748

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

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

**CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

	Six months ended June 30, 2012 SR	Six months ended June 30, 2011 SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	2,251,633	(9,777,991)
Adjustments for:		
Changes in assets and liabilities:		
Other assets	(451,743)	(281,545)
Due from insurance operations-current account	5,423,510	-
Due to a related party	259,493	-
Due to insurance operations	(3,260,796)	9,137,490
Due to insurance operations-current account	-	3,272,368
Accrued expenses and other liabilities	470,447	965,606
<b>Cash generated from operations</b>	<b>4,692,544</b>	<b>3,315,928</b>
Zakat paid	(469,483)	(2,904,164)
<b>Net cash from operating activities</b>	<b>4,223,061</b>	<b>411,764</b>
<b>INVESTING ACTIVITIES</b>		
Time deposits	27,650,439	(10,411,887)
Investments	(26,944,391)	-
<b>Net cash from (used in) investing activities</b>	<b>706,048</b>	<b>(10,411,887)</b>
<b>Net change in cash and cash equivalents</b>	<b>4,929,109</b>	<b>(10,000,123)</b>
Cash and cash equivalents, January 1	24,455,671	27,413,104
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>29,384,780</b>	<b>17,412,981</b>
<b>Non-cash transaction:</b>		
Unrealized loss on available for sale investments	(8,493)	-

**Chief Financial Officer**  
Tommy Laupsa




**Managing Director**  
Michael William Jakeman



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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

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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 Riyadh, 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 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's letter of November 10, 2008 ("the letter"), the value of combined goodwill was estimated at SR 64.14 million.

**3. BASIS OF PRESENTATION**

**Statement of compliance**

The condensed interim financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with International Accounting Standard No. 34 – Interim Financial Reporting. The 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 year ended December 31, 2011. In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual reissued financial statements as of and for the year ended December 31, 2011, except for the adoption of amendments and revisions to existing standards as mentioned in the Company's annual reissued financial statements for the year ended December 31, 2011, which had no significant financial impact on the condensed interim financial statements of the Company.



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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**



**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- a) Amendment to IFRS 7 - Financial instruments: Transfers of financial assets:

This amendment is effective from 1 July 2011 and requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset, the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities.

- b) Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012):

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which has been withdrawn.

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 periods commencing on or after January 1, 2013:

<b>Standard</b>	<b>Name of the standard</b>
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee Benefits
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments- Classification and measurement
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 32 and IFRS 7	Offsetting of Financial Assets and Financial Liabilities

The Company's management is currently evaluating the impact of adopting these Standards and Interpretations on the financial statements of the Company and the timing of initial application.

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

The preparation of the 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 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 year ended December 31, 2011.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following:

	Insurance Operations		Shareholders' Operations	
	June 30, 2012 SR	December 31, 2011 SR	June 30, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Cash in hand	46,137	77,604	-	-
Cash at banks- Current accounts	5,001,161	13,873,368	29,384,780	24,455,671
- Time deposits	35,093,091	30,056,227	-	-
	<b>40,140,389</b>	<b>44,007,199</b>	<b>29,384,780</b>	<b>24,455,671</b>

Included in cash and cash equivalents is SR 15.2 million (December 31, 2011: SR 34.64 million) associated with the portfolio transfer process which is currently held in the name of a related party on behalf of the Company.

**7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE**

	June 30, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)
Premiums receivable	60,275,415	49,280,584
Receivables from insurance and reinsurance companies	10,578,772	7,991,579
Receivables from related parties	37,219,204	54,377,041
	<b>108,073,391</b>	<b>111,649,204</b>
Less: allowance for doubtful debts	<b>(16,960,518)</b>	<b>(20,285,948)</b>
	<b>91,112,873</b>	<b>91,363,256</b>

Allowance for doubtful debts includes SR 6,116,269 (December 31, 2011: SR 7,240,171) against receivables from related parties.



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

**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	Six months ended
		June 30, 2012 SR	June 30, 2011 SR
		(Un-audited)	(Un-audited)
Shareholders/affiliates	Gross written premiums	40,662,658	33,460,289
	Gross claims paid and other expenses	37,365,410	28,579,649
	Reinsurance premiums ceded	26,272,153	9,925,270
	Reinsurers' share of gross claims paid	4,650,437	3,793,590
	Reinsurance commission income	7,899,041	3,034,203
	Outsourced service charges	4,079,270	3,167,500
	Brand fee	15,050	15,050
Board of Directors	Remuneration and meeting fee	244,000	375,000

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

Related parties	Nature of transactions	June 30, 2012 SR	December 31, 2011 SR
		(Un-audited)	(Audited)
Shareholders/affiliates	Gross written premiums	37,219,204	54,377,041
	Gross claims paid and other expenses	(53,478,650)	(58,161,335)
	Reinsurers' share of gross outstanding claims	21,728,823	26,126,683
	Outsourced service charges	(11,848,097)	(7,768,827)
	Brand fee	(75,250)	(60,200)
Board of Directors	Remuneration and meeting fee	(744,000)	(500,000)

**Compensation of key management personnel**

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

	Six months ended	Six months ended
	June 30, 2012 SR	June 30, 2011 SR
	(Un-audited)	(Un-audited)
Salaries and benefits	2,210,977	3,073,548
End-of-service indemnities	43,992	36,852
	<b>2,254,969</b>	<b>3,110,400</b>



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**



**9. STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid-up share 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 accumulated losses as at the end of the period.

**12. 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 accumulated 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 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.



**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

**13. SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, operating segments have been approved by the 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, investments, 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 insurance operations and end-of-service indemnities.

**Operating segments**

For the three months ended June 30, 2012	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	7,465,925	28,514,715	4,793,952	5,577,944	9,550,905	9,053,055	64,956,496
Reinsurance premiums ceded	(6,277,237)	-	(3,922,060)	(3,437,966)	(6,708,633)	(3,354,396)	(23,700,292)
Excess of loss premiums	(472,378)	(1,175,288)	(352,828)	(3,400)	30,034	(175,810)	(2,149,670)
Net premiums written	716,310	27,339,427	519,064	2,136,578	2,872,306	5,522,849	39,106,534
Change in unearned premiums, net	60,999	(6,640,933)	397,002	(380,997)	336,997	(1,419,064)	(7,645,996)
Net premiums earned	777,309	20,698,494	916,066	1,755,581	3,209,303	4,103,785	31,460,538
Gross claims paid and other expenses	(4,312,957)	(20,029,516)	(1,655,984)	(2,703,973)	(4,100,959)	(2,596,312)	(35,399,701)
Reinsurers' share of gross claims paid	3,829,794	3,249,968	1,012,690	1,229,988	3,236,667	2,107,163	14,666,270
Change in outstanding claims, net	377,096	5,109,949	770,991	(179,998)	(915,991)	287,325	5,449,372
Net claims incurred	(106,067)	(11,669,599)	127,697	(1,653,983)	(1,780,283)	(201,824)	(15,284,059)
Policy acquisition costs	(653,332)	(1,629,615)	(815,523)	(106,772)	(406,996)	(270,836)	(3,883,074)
Reinsurance commission income	1,848,902	-	1,237,581	-	1,722,660	426,591	5,235,734
	1,866,812	7,399,280	1,465,821	(5,174)	2,744,684	4,057,716	17,529,139
Other underwriting expenses	-	-	-	-	-	-	(230,590)
Net underwriting result							17,298,549
Operating and administrative salaries							(9,708,994)
Other general and administration expenses							(5,812,360)
Special commission income							75,809
Other income, net							41,224
Insurance operations' surplus							<u>1,894,228</u>

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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**



**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the six months ended June 30, 2012	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	22,654,773	45,635,544	15,064,849	3,907,961	18,125,819	14,761,257	120,150,203
Reinsurance premiums ceded	(19,661,303)	-	(12,154,478)	(1,845,972)	(12,104,779)	(5,514,502)	(51,281,034)
Excess of loss premiums	(1,242,624)	(2,083,699)	(699,074)	(46,790)	(730,298)	(398,847)	(5,201,332)
Net premiums written	1,750,846	43,551,845	2,211,297	2,015,199	5,290,742	8,847,908	63,667,837
Change in unearned premiums, net	(752,776)	(7,157,928)	(648,438)	1,623,984	1,653,434	(1,752,061)	(7,033,785)
Net premiums earned	998,070	36,393,917	1,562,859	3,639,183	6,944,176	7,095,847	56,634,052
Gross claims paid and other expenses	(7,121,929)	(36,756,615)	(2,022,980)	(5,644,944)	(6,379,936)	(4,362,294)	(62,288,698)
Reinsurers' share of gross claims paid	6,371,336	3,249,968	1,284,287	2,890,971	4,231,058	3,601,148	21,628,768
Change in outstanding claims, net	5,800	13,151,869	(116,099)	(237,997)	(431,695)	496,449	12,868,327
Net claims incurred	(744,793)	(20,354,778)	(854,792)	(2,991,970)	(2,580,573)	(264,697)	(27,791,603)
Policy acquisition costs	(1,260,973)	(3,490,951)	(1,261,066)	7,565	(900,026)	(444,084)	(7,349,535)
Reinsurance commission income	3,668,942	-	1,980,649	-	2,953,480	733,033	9,336,104
	2,661,246	12,548,188	1,427,650	654,778	6,417,057	7,120,099	30,829,018
Other underwriting expenses	-	-	-	-	-	-	(589,140)
Net underwriting result							30,239,878
Operating and administrative salaries							(17,764,478)
Other general and administration expenses							(8,979,139)
Special commission income							124,796
Other income, net							2,050
Insurance operations' surplus							3,623,107
<b>As at June 30, 2012</b>							
	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	15,351,846	-	10,627,894	3,433,966	6,709,153	3,828,358	39,951,217
Reinsurers' share of outstanding claims	48,076,219	-	16,489,135	2,743,973	3,841,562	7,809,788	78,960,677
Deferred policy acquisition costs	1,155,531	2,434,911	1,311,085	244,880	639,994	354,292	6,140,693
Unallocated assets	-	-	-	-	-	-	197,464,596
							322,517,183
<b>Insurance operations' liabilities</b>							
Unearned reinsurance commission income	2,833,150	-	2,875,763	-	2,119,979	387,119	8,216,011
Gross unearned premiums	17,205,828	44,159,558	13,623,864	6,729,933	9,550,904	9,540,913	100,811,000
Gross outstanding claims	52,108,479	23,622,764	23,932,761	4,655,953	9,137,909	13,437,275	126,895,141
Unallocated liabilities	-	-	-	-	-	-	86,595,031
							322,517,183

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

**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
Other underwriting expenses	14,989	3,561,439	(1,884,278)	574,095	1,978,718	2,884,203	7,129,166
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)

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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**



**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the six months ended June 30, 2011	Property	Motor	Engineering	Medical	Marine	Others	Total
	SR	SR	SR	SR	SR	SR	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)
urredNet claims inc	(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)
<b>As at December 31, 2011</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	15,803,625	-	7,504,369	4,369,956	4,099,729	4,648,210	36,425,889
Reinsurers' share of outstanding claims	54,198,358	3,267,967	14,456,255	3,337,967	8,366,216	6,746,865	90,373,628
Deferred policy acquisition costs	518,523	3,831,883	874,168	46,317	493,030	233,788	5,997,709
Unallocated assets	-	-	-	-	-	-	198,152,340
							<u>330,949,566</u>
<b>Insurance operations' liabilities</b>							
Unearned reinsurance commission income	1,987,150	-	1,276,720	-	1,230,820	49,453	4,544,143
Gross unearned premiums	16,904,831	37,001,630	9,851,901	9,289,907	8,594,914	8,608,704	90,251,887
Gross outstanding claims	58,236,418	40,042,600	21,783,782	5,011,950	13,230,868	12,870,801	151,176,419
Unallocated liabilities	-	-	-	-	-	-	84,977,117
							<u>330,949,566</u>

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

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**14. EARNINGS (LOSS) PER SHARE FOR THE PERIOD**

Earnings (loss) per share for the period is calculated by dividing the net income (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 except for an investment held in Abu Dhabi.

**16. RESULTS OF THE INTERIM PERIOD**

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

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

The condensed interim financial statements have been approved by the Board of Directors on July 11, 2012 corresponding to 21 Sha'ban, 1433.

