

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

CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2012, and the related condensed interim statements of insurance operations and shareholders' comprehensive income for the three and nine months then ended and statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the nine 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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October 15, 2012



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2012

		September 30, 2012	December 31, 2011
	Note	SR	SR
		(Un-audited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	46,697,706	44,007,199
Investment		2,473,079	2,473,079
Premiums and insurance balances receivable	7,8	84,587,453	91,363,256
Reinsurers' share of unearned premiums		44,981,217	36,425,889
Reinsurers' share of outstanding claims		89,193,078	90,373,628
Deferred policy acquisition costs		4,493,140	5,997,709
Prepayments and other assets		4,805,970	1,768,509
Due from related parties		30,577,591	25,504,866
Due from shareholders' operations		28,051,789	32,048,462
Property and equipment		1,140,307	986,969
TOTAL INSURANCE OPERATIONS' ASSETS		337,001,330	330,949,566
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	30,561,313	24,455,671
Time deposits		90,353,473	118,205,017
Other assets		767,134	69,398
Investments		27,229,629	-
Due from insurance operations-current account		4,737,661	11,386,827
Statutory deposit	9	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		173,649,210	174,116,913
TOTAL ASSETS		510,650,540	505,066,479



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 FINANCIAL POSITION (Continued)
AS AT SEPTEMBER 30, 2012

	September 30, 2012	December 31, 2011
Note	SR	SR
	(Un-audited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES		
Accounts payable	8,187,510	11,035,157
Reinsurance balances payable	8 34,008,501	31,839,236
Unearned reinsurance commission income	7,611,590	4,544,143
Gross unearned premiums	102,401,000	90,251,887
Gross outstanding claims	8 141,150,741	151,176,419
Accrued expenses and other liabilities	8 30,562,671	23,902,830
Due to shareholders' operations-current account	4,737,661	11,386,827
Surplus distribution payable	444,075	-
End-of-service indemnities	8 7,897,581	6,813,067
TOTAL INSURANCE OPERATIONS' LIABILITIES	337,001,330	330,949,566
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	28,051,789	32,048,462
Due to a related party	938,176	678,683
Accrued expenses and other liabilities	8 6,899,124	5,074,206
TOTAL SHAREHOLDERS' LIABILITIES	35,889,089	37,801,351
SHAREHOLDERS' EQUITY		
Share capital	10 200,000,000	200,000,000
Unrealized gain on available for sale investments	369,958	-
Accumulated losses	(62,609,837)	(63,684,438)
TOTAL SHAREHOLDERS' EQUITY	137,760,121	136,315,562
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	173,649,210	174,116,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	510,650,540	505,066,479



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 INSURANCE OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

	Note	Three months ended September 30, 2012 SR (Un-audited)	Three months ended September 30, 2011 SR (Un-audited)	Nine months ended September 30, 2012 SR (Un-audited)	Nine months ended September 30, 2011 SR (Un-audited)
REVENUES					
Gross written premiums	8	62,978,573	65,761,579	183,128,776	177,563,850
Less: Reinsurance premiums ceded	8	(32,593,625)	(34,585,598)	(83,874,659)	(78,031,456)
Excess of loss premiums		(3,059,480)	(2,455,999)	(8,260,812)	(6,530,648)
NET PREMIUMS WRITTEN		27,325,468	28,719,982	90,993,305	93,001,746
Changes in unearned premiums, net		3,440,000	(110,006)	(3,593,785)	(5,127,006)
NET PREMIUMS EARNED		30,765,468	28,609,976	87,399,520	87,874,740
Gross claims paid and other expenses	8	(18,552,182)	(26,928,038)	(80,840,880)	(82,250,837)
Reinsurers' share of gross claims paid	8	3,467,611	9,283,435	25,096,379	28,488,544
Changes in outstanding claims, net		(4,023,199)	1,407,451	8,845,128	(4,274,284)
NET CLAIMS INCURRED		(19,107,770)	(16,237,152)	(46,899,373)	(58,036,577)
Policy acquisition costs		(3,082,548)	(4,161,969)	(10,432,083)	(12,804,488)
Reinsurance commission income	8	7,077,067	5,926,132	16,413,171	13,865,000
Other underwriting expenses		10,949	(656,162)	(578,191)	(1,210,592)
NET UNDERWRITING RESULT		15,663,166	13,480,825	45,903,044	29,688,083
Operating and administrative salaries		(9,550,587)	(9,489,591)	(27,315,065)	(22,733,638)
Other general and administrative expenses	8	(5,433,436)	(7,600,279)	(14,412,575)	(19,743,531)
Special commission income		97,993	38,942	222,789	81,989
Other income (expenses), net		40,505	(20,640)	42,555	(21,136)
INSURANCE OPERATIONS' SURPLUS (DEFICIT)		817,641	(3,590,743)	4,440,748	(12,728,233)
Insurance operations' (surplus) deficit transferred to shareholders' comprehensive income		(735,877)	3,590,743	(3,996,673)	12,728,233
Insurance operations' surplus after shareholders' appropriation		81,764	-	444,075	-



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

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

CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

	Note	Three months ended September 30, 2012 SR	Three months ended September 30, 2011 SR	Nine months ended September 30, 2012 SR	Nine months ended September 30, 2011 SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Insurance operations' surplus (deficit)		735,877	(3,590,743)	3,996,673	(12,728,233)
Special commission income		365,811	259,638	925,980	852,515
General and administrative expenses	8	1,101,688 (409,523)	(3,331,105) (245,025)	4,922,653 (1,978,855)	(11,875,718) (1,478,403)
Net income (loss) for the period		692,165	(3,576,130)	2,943,798	(13,354,121)
Other comprehensive expenses					
Unrealized gain on available for sale investments		378,451	-	369,958	-
Zakat and income tax		(742,570)	(801,096)	(1,869,197)	(2,400,989)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		328,046	(4,377,226)	1,444,559	(15,755,110)
Earnings (loss) per share for the period	14	0.03	(0.18)	0.15	(0.67)
Weighted average number of outstanding shares		20,000,000	20,000,000	20,000,000	20,000,000



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Share capital SR	Unrealized gain on available for sale investments SR	Accumulated losses SR	Total SR
January 1, 2011 (audited)	200,000,000	-	(42,464,940)	157,535,060
Net loss for the period	-	-	(13,354,121)	(13,354,121)
Zakat and income tax	-	-	(2,400,989)	(2,400,989)
September 30, 2011 (un-audited)	200,000,000	-	(58,220,050)	141,779,950
January 1, 2012 (audited)	200,000,000	-	(63,684,438)	136,315,562
Net income for the period	-	-	2,943,798	2,943,798
Unrealized gain on available for sale investments	-	369,958	-	369,958
Zakat and income tax	-	-	(1,869,197)	(1,869,197)
September 30, 2012 (un-audited)	200,000,000	369,958	(62,609,837)	137,760,121



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 INSURANCE OPERATIONS' CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Nine months ended September 30, 2012 SR	Nine months ended September 30, 2011 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	444,075	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation	479,294	615,328
End-of-service indemnities	1,500,000	1,475,516
Gain on disposal of property and equipment	(76,162)	-
	2,347,207	2,090,844
Premiums and insurance balances receivable	6,775,803	(44,782,842)
Reinsurance share of unearned premiums	(8,555,328)	(17,019,877)
Reinsurers' share of outstanding claims	1,180,550	(53,594,000)
Deferred policy acquisition costs	1,504,569	377,439
Prepayments and other assets	(3,037,461)	447,403
Due from related parties	(5,072,725)	(12,932,873)
Due from shareholders' operations	3,996,673	(12,728,233)
Due from shareholders' operations-current account	-	727,156
Accounts payable	(2,847,647)	70,442
Reinsurance balances payable	2,169,265	12,872,220
Unearned reinsurance commission income	3,067,447	3,672,376
Gross unearned premiums	12,149,113	22,146,883
Gross outstanding claims	(10,025,678)	57,868,284
Accrued expenses and other liabilities	6,659,841	15,940,531
Due to shareholders' operations-current account	(6,649,166)	10,274,962
Cash generated from (used in) operations	3,662,463	(14,569,285)
End-of-service indemnities paid	(415,486)	(1,944,567)
Net cash from (used in) operating activities	3,246,977	(16,513,852)
INVESTING ACTIVITIES		
Purchase of property and equipment	(673,752)	(88,381)
Proceeds from disposal of property and equipment	117,282	-
Investment	-	(50,000)
Net cash used in investing activities	(556,470)	(138,381)
Net change in cash and cash equivalents	2,690,507	(16,652,233)
Cash and cash equivalents, January 1	44,007,199	39,269,809
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	46,697,706	22,617,576
Non-cash transaction:		
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 NINE MONTHS ENDED SEPTEMBER 30, 2012

	Nine months ended September 30, 2012 SR	Nine months ended September 30, 2011 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Net income (loss) for the period	2,943,798	(13,354,121)
Adjustments for:		
Changes in assets and liabilities:		
Other assets	(697,736)	(581,598)
Due from insurance operations-current account	6,649,166	(10,274,962)
Due to a related party	259,493	-
Due to insurance operations	(3,996,673)	12,728,233
Due to insurance operations-current account	-	(727,156)
Accrued expenses and other liabilities	425,204	779,709
Cash generated from (used in) operations	5,583,252	(11,429,895)
Zakat paid	(469,483)	(2,904,164)
Net cash from (used in) operating activities	5,113,769	(14,334,059)
INVESTING ACTIVITIES		
Time deposits	27,851,544	9,619,078
Investments	(26,859,671)	-
Net cash from investing activities	991,873	9,619,078
Net change in cash and cash equivalents	6,105,642	(4,714,981)
Cash and cash equivalents, January 1	24,455,671	27,413,104
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	30,561,313	22,698,123
Non-cash transaction:		
Unrealized gain on available for sale investments	369,958	-



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 NINE MONTHS ENDED SEPTEMBER 30, 2012

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 nine months ended September 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 below 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 NINE MONTHS ENDED SEPTEMBER 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:

<u>Standard</u>	<u>Name of the standard</u>
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 of 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 NINE MONTHS ENDED SEPTEMBER 30, 2012

6. CASH AND CASH EQUIVALENTS

	Insurance Operations		Shareholders' Operations	
	September 30, 2012 SR	December 31, 2011 SR	September 30, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Cash in hand	59,814	77,604	-	-
Cash at banks- Current accounts	11,457,371	13,873,368	30,561,313	24,455,671
- Time deposits	35,180,521	30,056,227	-	-
	46,697,706	44,007,199	30,561,313	24,455,671

Included in cash and cash equivalents is SR 18.16 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

	September 30, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)
Premiums receivable	57,431,730	49,280,584
Receivables from insurance and reinsurance companies	7,059,171	7,991,579
Receivables from related parties	37,612,221	54,377,041
	102,103,122	111,649,204
Less: allowance for doubtful debts	(17,515,669)	(20,285,948)
	84,587,453	91,363,256

Allowance for doubtful debts includes SR 4,838,358 (December 31, 2011: SR 7,240,171) against receivables from related parties.



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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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	Nine months ended	Nine months ended
		September 30, 2012	September 30, 2011
		SR	SR
		(Un-audited)	(Un-audited)
Shareholders/affiliates	Gross written premiums	64,002,488	56,841,949
	Gross claims paid and other expenses	47,362,581	39,845,927
	Reinsurance premiums ceded	36,508,054	15,881,560
	Reinsurers' share of gross claims paid	6,389,865	7,083,680
	Reinsurance commission income	10,827,689	4,849,448
	Outsourced service charges	6,101,250	6,101,250
	Brand fee	22,575	22,575
Board of Directors	Remuneration and meeting fee	366,000	375,000

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

Related parties	Nature of transactions	September 30, 2012	December 31, 2011
		SR	SR
		(Un-audited)	(Audited)
Shareholders/affiliates	Gross written premiums	37,612,221	54,377,041
	Gross claims paid and other expenses	(56,668,086)	(58,161,335)
	Reinsurers' share of gross outstanding claims	21,286,046	26,126,683
	Outsourced service charges	(13,870,077)	(7,768,827)
	Brand fee	(82,775)	(60,200)
Board of Directors	Remuneration and meeting fee	(366,000)	(500,000)

Compensation of key management personnel

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

	Nine months ended	Nine months ended
	September 30, 2012	September 30, 2011
	SR	SR
	(Un-audited)	(Un-audited)
Salaries and benefits	4,516,604	4,688,411
End-of-service indemnities	106,071	101,605
	4,622,675	4,790,016



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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 September 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)
Insurance operations							
Gross written premiums	19,835,802	21,710,387	3,362,967	772,992	8,050,919	9,245,506	62,978,573
Reinsurance premiums ceded	(18,222,318)	-	(2,940,971)	(425,995)	(4,839,352)	(6,164,989)	(32,593,625)
Excess of loss premiums	(680,107)	(1,133,089)	(397,390)	(76,819)	(563,724)	(208,351)	(3,059,480)
Net premiums written	933,377	20,577,298	24,606	270,178	2,647,843	2,872,166	27,325,468
Change in unearned premiums, net	(134,998)	907,991	948,990	1,557,984	(370,216)	530,249	3,440,000
Net premiums earned	798,379	21,485,289	973,596	1,828,162	2,277,627	3,402,415	30,765,468
Gross claims paid and other expenses	(57,999)	(12,911,579)	(687,993)	(1,180,988)	(3,035,970)	(677,653)	(18,552,182)
Reinsurers' share of gross claims paid	52,932	-	548,095	664,993	1,970,180	231,411	3,467,611
Change in outstanding claims, net	(479,394)	(2,202,978)	(403,996)	(582,995)	86,799	(440,635)	(4,023,199)
Net claims incurred	(484,461)	(15,114,557)	(543,894)	(1,098,990)	(978,991)	(886,877)	(19,107,770)
Policy acquisition costs	(583,874)	(1,013,963)	(589,253)	(114,265)	(639,994)	(141,199)	(3,082,548)
Reinsurance commission income	2,911,008	-	1,540,524	-	2,120,231	505,304	7,077,067
Other underwriting expenses	2,641,052	5,356,769	1,380,973	614,907	2,778,873	2,879,643	15,652,217
Net underwriting result	-	-	-	-	-	-	10,949
Operating and administrative salaries							(9,550,587)
Other general and administrative expenses							(5,433,436)
Special commission income							97,993
Other income, net							40,505
Insurance operations' surplus							<u>817,641</u>



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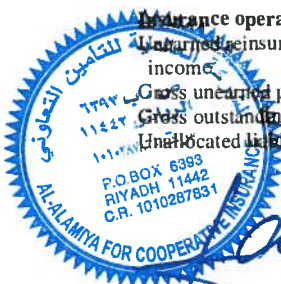
AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the nine months ended September 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)
Insurance operations							
Gross written premiums	42,490,575	67,345,931	18,427,816	4,680,953	26,176,738	24,006,763	183,128,776
Reinsurance premiums ceded	(37,883,621)	-	(15,095,449)	(2,271,967)	(16,944,131)	(11,679,491)	(83,874,659)
Excess of loss premiums	(1,922,731)	(3,216,788)	(1,096,464)	(123,609)	(1,294,022)	(607,198)	(8,260,812)
Net premiums written	2,684,223	64,129,143	2,235,903	2,285,377	7,938,585	11,720,074	90,993,305
Change in unearned premiums, net	(887,774)	(6,249,937)	300,552	3,181,968	1,283,218	(1,221,812)	(3,593,785)
Net premiums earned	1,796,449	57,879,206	2,536,455	5,467,345	9,221,803	10,498,262	87,399,520
Gross claims paid and other expenses	(7,179,928)	(49,668,194)	(2,710,973)	(6,825,932)	(9,415,906)	(5,039,947)	(80,840,880)
Reinsurers' share of gross claims paid	6,424,268	3,249,968	1,832,382	3,555,964	6,201,238	3,832,559	25,096,379
Change in outstanding claims, net	(473,594)	10,948,891	(520,095)	(820,992)	(344,896)	55,814	8,845,128
Net claims incurred	(1,229,254)	(35,469,335)	(1,398,686)	(4,090,960)	(3,559,564)	(1,151,574)	(46,899,373)
Policy acquisition costs	(1,844,847)	(4,504,914)	(1,850,319)	(106,700)	(1,540,020)	(585,283)	(10,432,083)
Reinsurance commission income	6,579,950	-	3,521,173	-	5,073,711	1,238,337	16,413,171
Other underwriting expenses	-	-	-	-	-	-	(578,191)
Net underwriting result							45,903,044
Operating and administrative salaries							(27,315,065)
Other general and administrative expenses							(14,412,575)
Special commission income							222,789
Other income, net							42,555
Insurance operations' surplus							4,440,748
As at September 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)
Insurance operations' assets							
Reinsurers' share of unearned premiums	21,278,787	-	10,189,898	2,366,976	4,838,952	6,306,604	44,981,217
Reinsurers' share of outstanding claims	51,458,785	-	16,253,137	3,330,967	8,864,311	9,285,878	89,193,078
Deferred policy acquisition costs	1,006,650	1,547,947	1,109,828	140,615	399,996	288,104	4,493,140
Unallocated assets	-	-	-	-	-	-	198,333,895
							337,001,330
Insurance operations' liabilities							
Unearned reinsurance commission income	3,492,069	-	2,193,001	-	1,494,985	431,535	7,611,590
Gross unearned premiums	23,267,767	43,251,567	12,236,878	4,104,959	8,050,919	11,488,910	102,401,000
Gross outstanding claims	55,970,439	25,825,742	24,100,759	5,825,942	14,073,859	15,354,000	141,150,741
Unallocated liabilities	-	-	-	-	-	-	85,837,999
							337,001,330



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the three months ended September 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)
Insurance operations							
Gross written premiums	20,098,799	23,297,003	5,143,949	426,996	8,578,914	8,215,918	65,761,579
Reinsurance premiums ceded	(19,853,311)	-	(3,820,862)	(224,998)	(6,122,538)	(4,563,889)	(34,585,598)
Excess of loss premiums	(403,852)	(552,844)	(591,730)	(58,938)	(598,991)	(249,644)	(2,455,999)
Net premiums written	(158,364)	22,744,159	731,357	143,060	1,857,385	3,402,385	28,719,982
Change in unearned premiums, net	119,398	(2,792,972)	681,198	1,622,984	847,591	(588,205)	(110,006)
Net premiums earned	(38,966)	19,951,187	1,412,555	1,766,044	2,704,976	2,814,180	28,609,976
Gross claims paid and other expenses	(9,255,907)	(13,431,173)	(1,636,984)	(1,466,985)	(762,992)	(373,997)	(26,928,038)
Reinsurers' share of gross claims paid	8,034,848	-	989,990	229,998	18,598	10,001	9,283,435
Change in outstanding claims, net	2,305,378	(3,102,999)	3,469,865	(2,999)	(664,195)	(597,599)	1,407,451
Net claims incurred	1,084,319	(16,534,172)	2,822,871	(1,239,986)	(1,408,589)	(961,595)	(16,237,152)
Policy acquisition costs	(464,544)	(1,974,663)	(932,408)	(104,417)	(542,000)	(143,937)	(4,161,969)
Reinsurance commission income	3,068,364	-	1,297,838	12,000	1,085,192	462,738	5,926,132
Other underwriting expenses	3,649,173	1,442,352	4,600,856	433,641	1,839,579	2,171,386	14,136,987
Net underwriting result	-	-	-	-	-	-	(656,162)
Operating and administrative salaries							13,480,825
Other general and administrative expenses							(9,489,591)
Special commission income							(7,600,279)
Other expenses, net							38,942
Insurance operations' deficit							(20,640)
							(3,590,743)



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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the nine months ended September 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)
Insurance operations							
Gross written premiums	38,751,612	66,536,960	20,224,798	7,399,926	23,065,769	21,584,785	177,563,850
Reinsurance premiums ceded	(35,682,953)	-	(15,132,849)	(3,203,968)	(13,385,665)	(10,626,021)	(78,031,456)
Excess of loss premiums	(1,119,497)	(1,475,795)	(1,702,661)	(177,901)	(1,326,988)	(727,806)	(6,530,648)
Net premiums written	1,949,162	65,061,165	3,389,288	4,018,057	8,353,116	10,230,958	93,001,746
Change in unearned premiums, net	(850,642)	(9,915,909)	1,429,985	1,354,986	4,794,551	(1,939,977)	(5,127,006)
Net premiums earned	1,098,520	55,145,256	4,819,273	5,373,043	13,147,667	8,290,981	87,874,740
Gross claims paid and other expenses	(23,164,768)	(40,098,259)	(5,304,947)	(5,375,946)	(4,002,960)	(4,303,957)	(82,250,837)
Reinsurers' share of gross claims paid	20,192,227	-	3,280,767	1,704,983	340,595	2,969,972	28,488,544
Change in outstanding claims, net	(1,205,887)	(2,865,396)	949,390	(41,999)	(478,096)	(632,296)	(4,274,284)
Net claims incurred	(4,178,428)	(42,963,655)	(1,074,790)	(3,712,962)	(4,140,461)	(1,966,281)	(58,036,577)
Policy acquisition costs	(1,796,442)	(6,239,151)	(2,281,332)	(378,432)	(1,264,991)	(844,140)	(12,804,488)
Reinsurance commission income	6,890,472	-	2,922,662	-	2,324,215	1,727,651	13,865,000
Other underwriting expenses	-	-	-	-	-	-	(1,210,592)
Net underwriting result							29,688,083
Operating and administrative salaries							(22,733,638)
Other general and administrative expenses							(19,743,531)
Special commission income							81,989
Other expenses, net							(21,136)
Insurance operations' deficit							<u>(12,728,233)</u>
As at December 31, 2011							
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Insurance operations' assets							
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>
Insurance operations' liabilities							
Unearned reinsurance commission income	1,987,150	-	1,276,720	-	1,230,820	49,453	4,544,143
Gross unearned premiums	16,904,831	37,001,600	9,851,940	9,289,907	8,594,914	8,608,704	90,251,887
Gross outstanding claims	58,236,418	40,042,000	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
(A SAUDI JOINT STOCK COMPANY)**

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

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 October 15, 2012 corresponding to 29 Dhu-al Qa'dah, 1433H.

