

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

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

**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2012**

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

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

**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 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 December 31, 2012, and the related condensed interim statements of insurance operations and shareholders' comprehensive income for the three months and year then ended, condensed interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the year then ended and the notes 1 to 16 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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January 15, 2013



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012

	Note	December 31, 2012 SR (Un-audited)	December 31, 2011 SR (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	57,783,343	44,007,199
Investment		2,473,079	2,473,079
Premiums and insurance balances receivable	7,8	73,056,437	91,363,256
Reinsurers' share of unearned premiums		38,856,217	36,425,889
Reinsurers' share of outstanding claims		84,476,906	90,373,628
Deferred policy acquisition costs		4,689,699	5,997,709
Prepayments and other assets		4,597,146	1,768,509
Due from related parties		29,378,370	25,504,866
Due from shareholders' operations		27,656,454	32,048,462
Property and equipment		1,139,897	986,969
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>324,107,548</b>	<b>330,949,566</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	6	30,878,826	24,455,671
Time deposits		90,742,725	118,205,017
Other assets		430,127	69,398
Investments		27,185,887	-
Due from insurance operations-current account		4,433,778	11,386,827
Statutory deposit	9	20,000,000	20,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>173,671,343</b>	<b>174,116,913</b>
<b>TOTAL ASSETS</b>		<b>497,778,891</b>	<b>505,066,479</b>

*Zasaf Zavis*

The accompanying notes 1 to 16 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 DECEMBER 31, 2012**

	December 31, 2012	December 31, 2011
Note	SR	SR
	(Un-audited)	(Audited)
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Accounts payable	15,342,280	11,035,157
Reinsurance balances payable	8 28,759,017	31,839,236
Unearned reinsurance commission income	7,839,134	4,544,143
Gross unearned premiums	103,792,000	90,251,887
Gross outstanding claims	8 134,635,266	151,176,419
Accrued expenses and other liabilities	8 20,279,877	23,902,830
Due to shareholders' operations-current account	4,433,778	11,386,827
Surplus distribution payable	488,001	-
End-of-service indemnities	8 8,538,195	6,813,067
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>324,107,548</b>	<b>330,949,566</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Due to insurance operations	27,656,454	32,048,462
Due to a related party	1,057,010	678,683
Accrued expenses and other liabilities	8 7,541,193	5,074,206
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>36,254,657</b>	<b>37,801,351</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	10 200,000,000	200,000,000
Unrealized gain on available for sale investments	410,936	-
Accumulated losses	(62,994,250)	(63,684,438)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>137,416,686</b>	<b>136,315,562</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>173,671,343</b>	<b>174,116,913</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>497,778,891</b>	<b>505,066,479</b>

*Harag Zaifi*

The accompanying notes 1 to 16 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 MONTHS AND YEAR ENDED DECEMBER 31, 2012

		Three months ended December 31, 2012	Three months ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
	Note	SR	SR	SR	SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
<b>REVENUES</b>					
Gross written premiums	8	64,940,935	50,366,421	248,069,711	227,930,271
Less: Reinsurance premiums ceded	8	(20,745,191)	(18,533,356)	(104,619,850)	(96,564,812)
Excess of loss premiums		(3,862,336)	(3,509,673)	(12,123,148)	(10,040,321)
<b>NET PREMIUMS WRITTEN</b>		<b>40,333,408</b>	<b>28,323,392</b>	<b>131,326,713</b>	<b>121,325,138</b>
Changes in unearned premiums, net		(7,516,000)	(2,080,992)	(11,109,785)	(7,207,998)
<b>NET PREMIUMS EARNED</b>		<b>32,817,408</b>	<b>26,242,400</b>	<b>120,216,928</b>	<b>114,117,140</b>
Gross claims paid and other expenses	8	(34,255,301)	(34,967,612)	(115,096,181)	(117,218,449)
Reinsurers' share of gross claims paid	8	9,756,692	17,958,289	34,853,071	46,446,833
Changes in outstanding claims, net		1,799,303	2,018,448	10,644,431	(2,255,836)
<b>NET CLAIMS INCURRED</b>		<b>(22,699,306)</b>	<b>(14,990,875)</b>	<b>(69,598,679)</b>	<b>(73,027,452)</b>
Policy acquisition costs		(2,779,262)	(3,585,983)	(13,211,345)	(16,390,471)
Reinsurance commission income	8	5,054,951	5,460,547	21,468,122	19,325,547
Other underwriting expenses		(602,476)	(622,797)	(1,180,667)	(1,833,389)
<b>NET UNDERWRITING RESULT</b>		<b>11,791,315</b>	<b>12,503,292</b>	<b>57,694,359</b>	<b>42,191,375</b>
Operating and administrative salaries		(9,537,697)	(8,568,289)	(36,852,762)	(31,301,927)
Other general and administrative expenses	8	(1,954,756)	(8,082,404)	(16,367,331)	(27,825,935)
Special commission income		124,769	14,490	347,558	96,479
Other income, net		15,630	202,804	58,185	181,668
<b>INSURANCE OPERATIONS' SURPLUS (DEFICIT)</b>		<b>439,261</b>	<b>(3,930,107)</b>	<b>4,880,009</b>	<b>(16,658,340)</b>
Insurance operations' (surplus) deficit transferred to shareholders' comprehensive income		(395,335)	3,930,107	(4,392,008)	16,658,340
<b>Insurance operations' surplus after shareholders' appropriation</b>		<b>43,926</b>	<b>-</b>	<b>488,001</b>	<b>-</b>

*Harag Zaizi*

The accompanying notes 1 to 16 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 MONTHS AND YEAR ENDED DECEMBER 31, 2012

	Three months ended December 31, 2012 SR	Three months ended December 31, 2011 SR	Year ended December 31, 2012 SR	Year ended December 31, 2011 SR
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Insurance operations' surplus (deficit)	395,335	(3,930,107)	4,392,008	(16,658,340)
Investment income	364,880	230,951	1,290,860	1,083,466
General and administrative expenses	760,215	(3,699,156)	5,682,868	(15,574,874)
8	58,818	(954,424)	(1,920,037)	(2,432,827)
<b>Net income (loss) for the period/year</b>	<b>819,033</b>	<b>(4,653,580)</b>	<b>3,762,831</b>	<b>(18,007,701)</b>
<b>Other comprehensive expenses</b>				
Unrealized gain on available for sale investments	40,978	-	410,936	-
Zakat and income tax	(1,203,446)	(810,808)	(3,072,643)	(3,211,797)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD/YEAR</b>	<b>(343,435)</b>	<b>(5,464,388)</b>	<b>1,101,124</b>	<b>(21,219,498)</b>
<b>Earnings (loss) per share for the period/year</b>	<b>0.04</b>	<b>(0.23)</b>	<b>0.19</b>	<b>(0.90)</b>
14				
<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>

*Haraz Zaizi*

The accompanying notes 1 to 16 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 CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 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 year	-	-	(18,007,701)	(18,007,701)
Zakat and income tax	-	-	(3,211,797)	(3,211,797)
December 31, 2011 (audited)	200,000,000	-	(63,684,438)	136,315,562
January 1, 2012 (audited)	200,000,000	-	(63,684,438)	136,315,562
Net income for the year	-	-	3,762,831	3,762,831
Unrealized gain on available for sale investments	-	410,936	-	410,936
Zakat and income tax	-	-	(3,072,643)	(3,072,643)
December 31, 2012 (un-audited)	200,000,000	410,936	(62,994,250)	137,416,686

*Haraz Farsi*

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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 YEAR ENDED DECEMBER 31, 2012**

	Year ended December 31, 2012 SR	Year ended December 31, 2011 SR
	(Un-audited)	(Audited)
<b>OPERATING ACTIVITIES</b>		
Insurance operations' surplus after shareholders' appropriation	488,001	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation	701,006	846,306
End-of-service indemnities	2,276,432	2,013,942
Gain on disposal of property and equipment	-	(159,052)
	3,465,439	2,701,196
Premiums and insurance balances receivable	18,306,819	(25,534,200)
Reinsurers' share of unearned premiums	(2,430,328)	(10,068,889)
Reinsurers' share of outstanding claims	5,896,722	(51,220,000)
Deferred policy acquisition costs	1,308,010	375,911
Prepayments and other assets	(2,828,637)	(233,968)
Due from related parties	(3,873,504)	(9,040,380)
Due from shareholders' operations	4,392,008	(16,658,340)
Due from shareholders' operations-current account	-	727,156
Accounts payable	4,307,123	2,115,126
Reinsurance balances payable	(3,080,219)	22,173,614
Unearned reinsurance commission income	3,294,991	1,495,141
Gross unearned premiums	13,540,113	17,276,887
Gross outstanding claims	(16,541,153)	53,475,836
Accrued expenses and other liabilities	(3,622,953)	8,826,378
Due to shareholders' operations-current account	(6,953,049)	11,386,827
<b>Cash generated from operations</b>	<b>15,181,382</b>	<b>7,798,295</b>
End-of-service indemnities paid	(551,304)	(2,888,664)
<b>Net cash from operating activities</b>	<b>14,630,078</b>	<b>4,909,631</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(853,934)	(374,162)
Proceeds from disposal of property and equipment	-	251,921
Investment	-	(50,000)
<b>Net cash used in investing activities</b>	<b>(853,934)</b>	<b>(172,241)</b>
<b>Net change in cash and cash equivalents</b>	<b>13,776,144</b>	<b>4,737,390</b>
Cash and cash equivalents, January 1	44,007,199	39,269,809
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>57,783,343</b>	<b>44,007,199</b>
<b>Non-cash transaction:</b>		
End-of-service indemnities	-	89,748

The accompanying notes 1 to 16 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 YEAR ENDED DECEMBER 31, 2012**

	Year ended December 31, 2012 SR	Year ended December 31, 2011 SR
	(Un-audited)	(Audited)
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the year	3,762,831	(18,007,701)
Adjustments for:		
Changes in assets and liabilities:		
Other assets	(33,328)	71,547
Due from insurance operations'-current account	6,953,049	(11,386,827)
Due to a related party	378,327	678,683
Due to insurance operations	(4,392,008)	16,658,340
Due to insurance operations-current account	-	(727,156)
Accrued expenses and other liabilities	(136,173)	857,784
<b>Cash generated from (used in) operations</b>	<b>6,532,698</b>	<b>(11,855,330)</b>
Zakat paid	(469,483)	(2,904,164)
<b>Net cash from (used in) operating activities</b>	<b>6,063,215</b>	<b>(14,759,494)</b>
<b>INVESTING ACTIVITIES</b>		
Time deposits	27,462,292	11,802,061
Investments	(27,102,352)	-
<b>Net cash from investing activities</b>	<b>359,940</b>	<b>11,802,061</b>
<b>Net change in cash and cash equivalents</b>	<b>6,423,155</b>	<b>(2,957,433)</b>
Cash and cash equivalents, January 1	24,455,671	27,413,104
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>30,878,826</b>	<b>24,455,671</b>
<b>Non-cash transactions:</b>		
Unrealized gain on available for sale investments	410,936	-
Amortization of premium on investments adjusted against other receivables	327,401	-

*Haraz Faiz*

The accompanying notes 1 to 16 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 MONTHS AND YEAR ENDED DECEMBER 31, 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 the 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 the 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 months and year ended December 31, 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 MONTHS AND YEAR ENDED DECEMBER 31, 2012

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards:

- Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'.
- Additional exemption for entities ceasing to suffer from severe hyperinflation.

b) 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.

c) 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
IFRIC 20	Stripping costs in the production phase of a surface mine
Amendments to IAS 32 and IFRS 7	Offsetting of Financial Assets and Financial Liabilities, and disclosures about the initial application of IFRS 9

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.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2012**

**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.

**6. CASH AND CASH EQUIVALENTS**

	Insurance Operations		Shareholders' Operations	
	December 31, 2012 SR	December 31, 2011 SR	December 31, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Cash in hand	42,500	77,604	-	-
Cash at banks- Current accounts	12,460,700	13,873,368	30,878,826	24,455,671
- Time deposits	45,280,143	30,056,227	-	-
	<b>57,783,343</b>	<b>44,007,199</b>	<b>30,878,826</b>	<b>24,455,671</b>

Included in cash and cash equivalents is SR 26.48 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**

	December 31, 2012 SR	December 31, 2011 SR
	(Un-audited)	(Audited)
Premiums receivable	54,858,452	49,280,584
Receivables from insurance and reinsurance companies	6,337,343	7,991,579
Receivables from related parties	27,576,263	54,377,041
	<b>88,772,058</b>	<b>111,649,204</b>
Less: allowance for doubtful debts	(15,715,621)	(20,285,948)
	<b>73,056,437</b>	<b>91,363,256</b>

Allowance for doubtful debts includes SR 3,809,846 (December 31, 2011: SR 7,240,171) against receivables from related parties.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
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8. RELATED PARTY TRANSACTIONS

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

Related parties	Nature of transactions	Year ended	Year ended
		December 31, 2012	December 31, 2011
		SR	SR
		(Un-audited)	(Audited)
Shareholders/affiliates	Gross written premiums	93,582,190	90,162,780
	Gross claims paid and other expenses	62,271,678	59,502,432
	Reinsurance premiums ceded	44,330,161	37,003,344
	Reinsurers' share of gross claims paid	9,219,084	13,718,714
	Reinsurance commission income	12,856,578	11,377,881
	Outsourced service charges	6,900,000	6,976,843
	Brand fee	30,100	30,100
Board of Directors	Remuneration and meeting fee	488,000	500,000

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

Related parties	Nature of transactions	December 31,	December 31,
		2012	2011
		SR	SR
		(Un-audited)	(Audited)
Shareholders/affiliates	Premiums receivable	27,576,263	54,377,041
	Gross outstanding claims and expenses	(55,339,134)	(58,161,335)
	Reinsurers' share of gross outstanding claims	24,272,489	26,126,683
	Outsourced service charges payable	(6,900,000)	(7,768,827)
	Brand fee payable	(90,300)	(60,200)
Board of Directors	Remuneration and meeting fee payable	(488,000)	(500,000)

Compensation of key management personnel

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

	Year ended	Year ended
	December 31, 2012	December 31, 2011
		SR
		(Un-audited)
Salaries and benefits	6,189,071	6,064,035
End-of-service indemnities	152,692	156,766
	6,341,763	6,220,801

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**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 year 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 appropriation of 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 year.

**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 first 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.



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**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 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 December 31, 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	9,881,901	28,108,304	3,775,962	5,614,944	9,105,909	8,453,915	64,940,935
Reinsurance premiums ceded	(8,423,980)	-	(3,081,869)	(120,009)	(4,919,550)	(4,199,783)	(20,745,191)
Excess of loss premiums	(501,575)	(1,134,733)	(1,350,659)	(226,627)	(529,265)	(119,477)	(3,862,336)
Net premiums written	956,346	26,973,571	(656,566)	5,268,308	3,657,094	4,134,655	40,333,408
Change in unearned premiums, net	(416,996)	(3,790,963)	501,996	(2,528,974)	(973,774)	(307,289)	(7,516,000)
Net premiums earned	539,350	23,182,608	(154,570)	2,739,334	2,683,320	3,827,366	32,817,408
Gross claims paid and other expenses	(4,288,957)	(20,806,089)	(2,409,976)	(2,974,970)	(2,272,977)	(1,502,332)	(34,255,301)
Reinsurers' share of gross claims paid	4,456,063	250,000	1,796,982	1,199,988	568,084	1,485,575	9,756,692
Change in outstanding claims, net	438,494	1,766,982	524,396	526,994	(1,118,088)	(339,475)	1,799,303
Net claims incurred	605,600	(18,789,107)	(88,598)	(1,247,988)	(2,822,981)	(356,232)	(22,699,306)
Policy acquisition costs	(220,474)	(1,108,954)	(714,668)	(224,912)	(399,996)	(110,258)	(2,779,262)
Reinsurance commission income	1,009,308	-	1,340,275	-	2,101,507	603,861	5,054,951
Other underwriting expenses	1,933,784	3,284,547	382,439	1,266,434	1,561,850	3,964,737	12,393,791
Net underwriting result	-	-	-	-	-	-	(602,476)
Operating and administrative Salaries							11,791,315
Other general and administrative Expenses							(9,537,697)
Special commission income							(1,954,756)
Other income, net							124,769
Insurance operations' surplus							15,630
							439,261

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13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the year ended December 31, 2012	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	52,372,476	95,454,235	22,203,778	10,295,897	35,282,647	32,460,678	248,069,711
Reinsurance premiums ceded	(46,307,601)	-	(18,177,318)	(2,391,976)	(21,863,681)	(15,879,274)	(104,619,850)
Excess of loss premiums	(2,424,306)	(4,351,521)	(2,447,123)	(350,236)	(1,823,287)	(726,675)	(12,123,148)
Net premiums written	3,640,569	91,102,714	1,579,337	7,553,685	11,595,679	15,854,729	131,326,713
Change in unearned premiums, net	(1,304,770)	(10,040,900)	802,548	652,994	309,444	(1,529,101)	(11,109,785)
Net premiums earned	2,335,799	81,061,814	2,381,885	8,206,679	11,905,123	14,325,628	120,216,928
Gross claims paid and other expenses	(11,468,885)	(70,474,283)	(5,120,949)	(9,800,902)	(11,688,883)	(6,542,279)	(115,096,181)
Reinsurers' share of gross claims paid	10,880,299	3,500,000	3,629,364	4,755,952	6,769,322	5,318,134	34,853,071
Change in outstanding claims, net	(35,100)	12,715,873	4,301	(293,998)	(1,462,984)	(283,661)	10,644,431
Net claims incurred	(623,686)	(54,258,410)	(1,487,284)	(5,338,948)	(6,382,545)	(1,507,806)	(69,598,679)
Policy acquisition costs	(2,065,321)	(5,613,868)	(2,564,987)	(331,612)	(1,940,016)	(695,541)	(13,211,345)
Reinsurance commission income	7,589,258	-	4,861,448	-	7,175,218	1,842,198	21,468,122
Other underwriting expenses	7,236,050	21,189,536	3,191,062	2,536,119	10,757,780	13,964,479	58,875,026
Net underwriting result	-	-	-	-	-	-	(1,180,667)
Operating and administrative salaries							57,694,359
Other general and administrative expenses							(36,852,762)
Special commission income							(16,367,331)
Other income, net							347,558
Insurance operations' surplus							58,185
							<u>4,880,009</u>
<b>As at December 31, 2012</b>	<b>Property SR (Un-audited)</b>	<b>Motor SR (Un-audited)</b>	<b>Engineering SR (Un-audited)</b>	<b>Medical SR (Un-audited)</b>	<b>Marine SR (Un-audited)</b>	<b>Others SR (Un-audited)</b>	<b>Total SR (Un-audited)</b>
<b>Insurance operations' assets</b>							
Reinsurers' share of unearned premiums	16,801,832	-	8,814,912	2,096,979	4,920,168	6,222,326	38,856,217
Reinsurers' share of outstanding claims	46,971,330	290,997	12,039,580	2,264,977	15,044,150	7,865,872	84,476,906
Deferred policy acquisition costs	1,017,176	1,731,434	891,155	334,699	469,995	245,240	4,689,699
Unallocated assets	-	-	-	-	-	-	196,084,726
							<u>324,107,548</u>
<b>Insurance operations' liabilities</b>							
Unearned reinsurance commission income	4,068,786	-	1,760,940	-	1,487,985	521,423	7,839,134
Gross unearned premiums	19,207,808	47,042,530	10,359,896	6,363,936	9,105,909	11,711,921	103,792,000
Gross outstanding claims	51,044,490	24,349,757	19,362,806	4,232,958	21,371,786	14,273,469	134,635,266
Unallocated liabilities	-	-	-	-	-	-	77,841,148
							<u>324,107,548</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**13. SEGMENTAL INFORMATION (Continued)**

**Operating segments**

For the three months ended December 31, 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	6,415,936	17,517,750	2,674,973	10,105,899	8,594,914	5,056,949	50,366,421
Reinsurance premiums ceded	(5,221,439)	-	(2,028,381)	(4,471,955)	(4,100,760)	(2,710,821)	(18,533,356)
Excess of loss premiums	(614,058)	(134,886)	(558,227)	(125,415)	(1,909,432)	(167,655)	(3,509,673)
Net premiums written	580,439	17,382,864	88,365	5,508,529	2,584,722	2,178,473	28,323,392
Change in unearned premiums, net	365,430	953,990	599,439	(3,198,968)	(2,038,809)	1,237,926	(2,080,992)
Net premiums earned	945,869	18,336,854	687,804	2,309,561	545,913	3,416,399	26,242,400
Gross claims paid and other expenses	(11,887,881)	(14,348,818)	(2,027,980)	(3,233,968)	(2,677,973)	(790,992)	(34,967,612)
Reinsurers' share of gross claims paid	11,802,061	-	1,217,388	3,161,968	1,151,875	624,997	17,958,289
Change in outstanding claims, net	(482,396)	2,122,008	780,592	2,000	719,393	(1,123,149)	2,018,448
Net claims incurred	(568,216)	(12,226,810)	(30,000)	(70,000)	(806,705)	(1,289,144)	(14,990,875)
Policy acquisition costs	(558,172)	(2,012,164)	(502,351)	(70,686)	(240,963)	(201,647)	(3,585,983)
Reinsurance commission income	2,207,213	-	930,427	-	1,813,869	509,038	5,460,547
Other underwriting expenses	2,026,694	4,097,880	1,085,880	2,168,875	1,312,114	2,434,646	13,126,089
Net underwriting result	-	-	-	-	-	-	(622,797)
Operating and administrative Salaries							12,503,292
Other general and administrative Expenses							(8,568,289)
Special commission income							(8,082,404)
Other income, net							14,490
Insurance operations' deficit							202,804
							<u>(3,930,107)</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
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13. SEGMENTAL INFORMATION (Continued)

Operating segments

For the year ended December 31, 2011	Property SR (Audited)	Motor SR (Audited)	Engineering SR (Audited)	Medical SR (Audited)	Marine SR (Audited)	Others SR (Audited)	Total SR (Audited)
<b>Insurance operations</b>							
Gross written premiums	45,167,548	84,054,710	22,899,771	17,505,825	31,660,683	26,641,734	227,930,271
Reinsurance premiums ceded	(40,904,392)	-	(17,161,230)	(7,675,923)	(17,486,425)	(13,336,842)	(96,564,812)
Excess of loss premiums	(1,733,555)	(1,610,681)	(2,260,888)	(303,316)	(3,236,420)	(895,461)	(10,040,321)
Net premiums written	2,529,601	82,444,029	3,477,653	9,526,586	10,937,838	12,409,431	121,325,138
Change in unearned premiums, net	(485,212)	(8,961,919)	2,029,424	(1,843,982)	2,755,742	(702,051)	(7,207,998)
Net premiums earned	2,044,389	73,482,110	5,507,077	7,682,604	13,693,580	11,707,380	114,117,140
Gross claims paid and other expenses	(35,052,649)	(54,447,077)	(7,332,927)	(8,609,914)	(6,680,933)	(5,094,949)	(117,218,449)
Reinsurers' share of gross claims paid	31,994,288	-	4,498,155	4,866,951	1,492,472	3,594,967	46,446,833
Change in outstanding claims, net	(1,688,283)	(743,388)	1,729,982	(39,999)	241,297	(1,755,445)	(2,255,836)
Net claims incurred	(4,746,644)	(55,190,465)	(1,104,790)	(3,782,962)	(4,947,164)	(3,255,427)	(73,027,452)
Policy acquisition costs	(2,354,614)	(8,251,315)	(2,783,683)	(449,118)	(1,505,954)	(1,045,787)	(16,390,471)
Reinsurance commission income	9,097,685	-	3,853,089	-	4,138,084	2,236,689	19,325,547
	4,040,816	10,040,330	5,471,693	3,450,524	11,378,546	9,642,855	44,024,764
Other underwriting expenses	-	-	-	-	-	-	(1,833,389)
Net underwriting result							42,191,375
Operating and administrative salaries							(31,301,927)
Other general and administrative expenses							(27,825,935)
Special commission income							96,479
Other income, net							181,668
Insurance operations' deficit							(16,658,340)
<b>As at December 31, 2011</b>							
	Property SR (Audited)	Motor SR (Audited)	Engineering SR (Audited)	Medical SR (Audited)	Marine SR (Audited)	Others SR (Audited)	Total SR (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
							330,949,566
<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
							330,949,566

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
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**14. EARNINGS (LOSS) PER SHARE FOR THE PERIOD/YEAR**

Earnings (loss) per share for the period/year is calculated by dividing the net income (loss) for the period/year by weighted average number of ordinary shares outstanding during the period/year.

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

The condensed interim financial statements have been approved by the Board of Directors on January 15, 2013 corresponding to 3 Rabi I, 1434H.