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

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

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2013

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

Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report
For the Three and Six Month Periods Ended 30 June 2013

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KPMG Al Fozan & Al Sadhan

Al Bassam

Certified Public Accountants & Consultants

**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 interim statement of financial position of Al Alamiya for cooperative insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2013, the related interim statements of comprehensive income for insurance and shareholders' operations for the three month and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 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, 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 interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER:

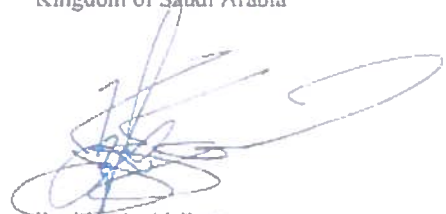
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

KPMG Al Fozan & Al Sadhan
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Al Bassam CPAs & Consultants
P. O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia



Abdullah H. Al Fozan
Certified Public Accountant
License No. 348



Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337

6 Ramadan 1434H
(15 July 2013)



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	30 June 2013 SR (Unaudited)	31 December 2012 SR (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	65,892,838	57,783,343
Investments	7(a)	1,923,079	1,923,079
Premiums and insurance balances receivable	9	70,831,486	73,056,437
Due from related parties		31,369,534	29,378,370
Due from shareholders' operations		33,205,169	27,656,454
Reinsurers' share of outstanding claims		438,369,711	84,476,906
Prepayments and other assets		9,812,178	5,147,146
Reinsurers' share of unearned premiums		42,856,800	38,856,217
Deferred policy acquisition costs		8,280,363	4,689,699
Property and equipment, net		787,810	1,139,897
TOTAL INSURANCE OPERATIONS' ASSETS		703,328,968	324,107,548
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	35,049,640	30,878,826
Time deposits		91,317,570	90,742,725
Investments	7(b)	26,995,650	27,185,887
Other assets		515,941	430,127
Due from insurance operations-current account		-	4,433,778
Statutory deposit		20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		173,878,801	173,671,343
TOTAL ASSETS		877,207,769	497,778,891

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

	<i>30 June 2013</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December 2012</i> <i>SR</i> <i>(Audited)</i>
INSURANCE OPERATIONS' LIABILITIES		
Gross outstanding claims	484,142,999	134,635,266
Accounts payable	6,530,180	15,342,280
Reinsurance balances payable	52,793,661	28,759,017
Due to shareholders' operations-current account	-	4,433,778
Accrued expenses and other liabilities	22,888,675	20,279,877
Surplus distribution payable	488,001	488,001
Unearned reinsurance commission	8,287,100	7,839,134
Gross unearned premiums	119,036,583	103,792,000
End of service indemnities	9,161,769	8,538,195
TOTAL INSURANCE OPERATIONS' LIABILITIES	703,328,968	324,107,548
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	33,205,169	27,656,454
Due to a related party	1,058,354	1,057,010
Accrued expenses and other liabilities	8,968,816	7,541,193
TOTAL SHAREHOLDERS' LIABILITIES	43,232,339	36,254,657
SHAREHOLDERS' EQUITY		
Share capital	200,000,000	200,000,000
Unrealized gain on available for sale investments	396,662	410,936
Accumulated losses	(69,750,200)	(62,994,250)
TOTAL SHAREHOLDERS' EQUITY	130,646,462	137,416,686
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	173,878,801	173,671,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	877,207,769	497,778,891

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.





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

INTERIM STATEMENT OF COMPREHENSIVE INCOME – INSURANCE OPERATIONS
(UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2013</i>	<i>30 June 2012</i>	<i>30 June 2013</i>	<i>30 June 2012</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross written premiums	68,457,257	64,956,496	149,679,292	120,150,203
Less: Reinsurance premium ceded	(22,777,701)	(23,700,292)	(60,598,636)	(51,281,034)
Excess of loss premiums	(2,645,285)	(2,149,670)	(5,672,335)	(5,201,332)
NET WRITTEN PREMIUMS	43,034,271	39,106,534	83,408,321	63,667,837
Changes in unearned premiums, net	(5,856,000)	(7,645,996)	(11,244,000)	(7,033,785)
NET PREMIUMS EARNED	37,178,271	31,460,538	72,164,321	56,634,052
Gross claims paid	(37,792,213)	(35,399,701)	(75,230,496)	(62,288,698)
Reinsurers' share of gross claims paid	5,962,249	14,666,270	14,909,609	21,628,768
Changes in outstanding claims, net	(1,819,853)	5,449,372	4,385,072	12,868,327
NET CLAIMS INCURRED	(33,649,817)	(15,284,059)	(55,935,815)	(27,791,603)
Policy acquisition costs	(4,106,513)	(3,883,074)	(7,558,785)	(7,349,535)
Reinsurance commission income	6,009,447	5,235,734	12,120,087	9,336,104
Other underwriting expenses	(476,381)	(230,590)	(621,364)	(589,140)
NET UNDERWRITING SURPLUS	4,955,007	17,298,549	20,168,444	30,239,878
General and administrative expenses	(13,248,433)	(15,521,354)	(25,972,187)	(26,743,617)
Special commission income	123,348	75,809	253,824	124,796
Other income	1,434	41,224	1,204	2,050
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	(8,168,644)	1,894,228	(5,548,715)	3,623,107
Shareholders' appropriation from insurance operations' deficit / (surplus)	7,906,651	(1,704,805)	5,548,715	(3,260,796)
NET (DEFICIT) / SURPLUS AT END OF THE PERIOD	(261,993)	189,423	--	362,311

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS’
OPERATIONS (UNAUDITED)

	<i>Notes</i>	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		<i>30 June 2013</i>	<i>30 June 2012</i>	<i>30 June 2013</i>	<i>30 June 2012</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INCOME					
Shareholders’ appropriation from insurance operations’ (deficit) / surplus		(7,906,651)	1,704,805	(5,548,715)	3,260,796
Special commission income		425,713	330,382	869,649	560,169
		(7,480,938)	2,035,187	(4,679,066)	3,820,965
General and administration expenses		(413,869)	(1,139,649)	(807,128)	(1,569,332)
NET (LOSS) / INCOME FOR THE PERIOD		(7,894,807)	895,538	(5,486,194)	2,251,633
OTHER COMPREHENSIVE INCOME					
Change in fair value of available for sale investments		(30,106)	(8,493)	(14,274)	(8,493)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		(7,924,913)	887,045	(5,500,468)	2,243,140
BASIC AND DILUTED EARNING (LOSS) PER SHARE FOR THE PERIOD	11	(0.39)	0.04	(0.27)	0.11

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the six month period ended 30 June 2013

	<i>Share capital SR</i>	<i>Unrealized gain on available for sale investments SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2013	200,000,000	410,936	(62,994,250)	137,416,686
Net loss for the period	-	-	(5,486,194)	(5,486,194)
<i>Other comprehensive income:</i> Change in fair value of available for sale investments	-	(14,274)	-	(14,274)
Total comprehensive loss for the period	-	(14,274)	(5,486,194)	(5,500,468)
Zakat and Income tax	-	-	(1,269,756)	(1,269,756)
Balance as at 30 June 2013	200,000,000	396,662	(69,750,200)	130,646,462
Balance at 1 January 2012	200,000,000	--	(63,684,438)	136,315,562
Net income for the period	--	--	2,251,633	2,251,633
<i>Other comprehensive income:</i> Net change in fair value of available for sale investments	--	(8,493)	--	(8,493)
Total comprehensive income for the period	--	(8,493)	2,251,633	2,243,140
Zakat and Income tax	--	--	(1,126,627)	(1,126,627)
Balance as at 30 June 2012	200,000,000	(8,493)	(62,559,432)	137,432,075

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




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

INTERIM STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS
(UNAUDITED)

	<i>For the six month period ended</i>	
	<i>30 June 2013</i>	<i>30 June 2012</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	--	362,311
<i>Adjustments to reconcile insurance operations' surplus to net cash provided from/ (used in) operating activities:</i>		
Depreciation	418,022	321,657
Employees' end of service benefits	1,000,000	1,026,252
Gain on sale of property and equipment	--	(38,062)
Provision for doubtful debt	(2,742,319)	--
Operating cash (outflows) / inflows before changes in operating assets and liabilities	(1,324,297)	1,672,158
<i>Changes in operating assets and liabilities:</i>		
Premiums and insurance balances receivable	4,967,270	250,383
Reinsurers' share of unearned premiums	(4,000,583)	(3,525,328)
Reinsurers' share of outstanding claims	(353,892,805)	11,412,951
Deferred policy acquisition costs	(3,590,664)	(142,984)
Prepayments and other assets	(4,665,032)	(1,055,953)
Due from related parties	(1,991,164)	(5,332,636)
Due from shareholders' operations	(5,548,715)	3,260,796
Accounts payable	(8,812,100)	(4,863,686)
Reinsurance balances payable	24,034,644	5,068,489
Unearned reinsurance commission income	447,966	3,671,868
Gross unearned premiums	15,244,583	10,559,113
Gross outstanding claims	349,507,733	(24,281,278)
Accrued expenses and other liabilities	2,608,798	5,772,397
Due to shareholders' operations-current account	(4,433,778)	(5,423,510)
Cash from (used in) operations	8,551,856	(2,957,220)
Employees' end of service benefits paid	(376,426)	(324,339)
Net cash from (used in) operating activities	8,175,430	(3,281,559)
INVESTING ACTIVITY		
Purchase of property and equipment	(65,935)	(664,433)
Proceeds from sale of property and equipment	--	79,182
Net cash used in investing activities	(65,935)	(585,251)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	8,109,495	(3,866,810)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	57,783,343	44,007,199
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6 65,892,838	40,140,389

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS
(UNAUDITED)

	Note	<i>For the six month period ended</i>	
		30 June 2013 SR	30 June 20112 SR
OPERATING ACTIVITIES			
Net (loss) / income for the period		(5,486,193)	2,251,633
<i>Adjustments for:</i>			
Amortisation of investments		175,963	--
Operating cash outflows before changes in operating assets and liabilities		(5,310,230)	2,251,633
<i>Changes in operating assets and liabilities:</i>			
Other assets		(85,814)	(451,743)
Due from insurance operations-current account		4,433,778	5,423,510
Due to a related party		1,344	259,493
Due to insurance operations		5,548,714	(3,260,796)
Accrued expenses and other liabilities		57,784	470,447
		4,645,576	4,692,544
Zakat paid		(474,762)	(469,483)
Net cash from operating activities		4,170,814	4,223,061
INVESTING ACTIVITIES			
Time deposits		--	27,650,439
Investments		--	(26,944,391)
Net cash from investing activities		--	706,048
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,170,814	4,929,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		30,878,826	24,455,671
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	35,049,640	29,384,780
<i>Non-cash transactions:</i>			
Net change in fair value of available for sale investments		(14,274)	(8,493)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

30 June 2013

1 ORGANISATION 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 registered office address of the Company is at Prince Mohammed bin Abdul aziz, Home Center Building, P.O. Box: 6393, Riyadh 11442, 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 held on 17 April 2012.

The Company entered into a purchase agreement whereby it 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 (*refer note 13 for goodwill treatment*).

3 BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared under the historical cost basis except for the measurement at fair value of "investments held at fair value through income statement" and "available for sale investments".

Statement of compliance

The accompanying interim condensed financial statements for the six month period ended 30 June 2013 ("the period") are prepared in accordance with IAS 34 – Interim Financial Reporting, 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 financial statements as at 31 December 2012.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders operations in full.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

The interim results may not be indicative of the Company's annual results.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

30 June 2013

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012.

The Company has chosen to early adopt the following new standards and amendment, which are effective for the Company's financial years starting 2013 and thereafter:

IFRS 13 Fair Value Measurement

IFRS 13 describes how to measure fair value when fair value is required or permitted by IFRS. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss. Adoption of this standard did have not impact the Company's financial position or performance.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments have not impacted the Company's financial position or performance.

IAS 34 Interim Financial Reporting — Interim financial reporting and segment information

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. Adoption of this standard did have not impact the Company's financial position or performance.

IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment had no impact on the Company's financial position or performance.

Standards issued but not yet effective

In addition to the above mentioned standards, following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 June 2013

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment is effective for annual periods beginning on or after 1 January 2014.

5 CRITICAL ACCOUNTING JUDGEMENTS 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, 2012.

6 BANK BALANCES AND CASH

	30 June 2013		31 December 2012	
	<i>Insurance operations (Unaudited)</i> SR	<i>Shareholders' operations (Unaudited)</i> SR	<i>Insurance operations (Audited)</i> SR	<i>Shareholders' operations (Audited)</i> SR
Cash in hand	22,550	--	42,500	--
Cash at banks - Current accounts	15,262,036	35,049,640	12,460,700	30,878,826
- Time deposit	50,608,252	--	45,280,143	--
	<u>65,892,838</u>	<u>35,049,640</u>	<u>57,783,343</u>	<u>30,878,826</u>

Included in cash and cash equivalents is SR 15.66 million (December 31, 2012: SR 26.48 million) associated with the portfolio transfer process which is currently held in the name of a related party on behalf of the Company.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

30 June 2013

7 INVESTMENTS

a) Insurance operations – Investments

This mainly includes SR 1,923,079 (2012: SR 1,923,079) in respect of Company's share in the capital of Najm for Insurance Services. As the fair value is not readily available, this investment has been carried at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

b) Shareholders' operations – Available for sale investments

	<u>As at 30 June 2013</u>		<u>As at 31 December 2012</u>	
	<u>Amortised Cost</u> <u>SR</u>	<u>Market Value</u> <u>SR</u>	<u>Amortised Cost</u> <u>SR</u>	<u>Market Value</u> <u>SR</u>
Bonds				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,888,975	3,918,750	3,957,442	4,003,125
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	3,763,785	3,764,400	3,846,540	3,851,700
Sukuks				
Saudi Electricity Company	18,946,225	19,312,500	18,970,969	19,331,062
	<u>26,598,985</u>	<u>26,995,650</u>	<u>26,774,951</u>	<u>27,185,887</u>

The effective special commission income ranges between 2.1% to 2.7% in case of bonds and 2.4% in case of sukuks.

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

Determination of fair value and fair value hierarchy

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

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

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

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

	<u>Level 1</u> <u>SR</u>	<u>Level 2</u> <u>SR</u>	<u>Level 3</u> <u>SR</u>	<u>Total</u> <u>SR</u>
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,918,750	--	--	3,918,750
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	3,764,400	--	--	3,764,400
Saudi Electricity Company (Sukuks)	19,312,500	--	--	19,312,500
	<u>26,995,650</u>	<u>--</u>	<u>--</u>	<u>26,995,650</u>

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8 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the six-month period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The net change in the fair value of AFS investments amounting to SR 14,274 (2012: SR 8,493) has been recorded in the interim statement of comprehensive income – shareholders' operation.

9 PREMIUM AND INSURANCE BALANCE RECEIVABLE, NET

	<i>30 June 2013</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2012</i> <i>(Audited)</i> <i>SR</i>
Premiums receivable	54,258,291	54,858,452
Receivables from insurance and reinsurance companies	6,182,389	6,337,343
Receivables from related parties	21,744,404	27,576,263
	<u>82,185,084</u>	<u>88,772,058</u>
Less: Allowance for doubtful debts	(11,353,598)	(15,715,621)
	<u>70,831,486</u>	<u>73,056,437</u>

Allowance for doubtful debts includes SR 2.4 million (December 31, 2012: SR 3.8 million) against receivables from related parties.

10 STATUTORY DEPOSIT

Statutory deposit amounting to SR 20,000,000 (2012 : SR 20,000,000) represents 10% of the paid up capital of the company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for Insurance Companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

11 BASIC AND DILUTED EARNING (LOSS) PER SHARE FOR THE PERIOD

Basic and diluted earnings/loss per share for the period has been calculated by dividing the net income (loss) for the period by 20 million outstanding shares at the period end.

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(UNAUDITED) (continued)

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12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management. The following are the details of major related party transactions for insurance and shareholders' operations during the period and the balances at the end of the period / year:

Related party	Nature of transaction	Amount of transactions for the six month period ended		Balance as at	
		30 June 2013 (Unaudited) SR	30 June 2012 (Unaudited) SR	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
Shareholders / Companies under common management	Gross written premiums	46,393,459	40,662,658		27,576,263
	Gross claims paid	35,355,568	37,365,410		
	Reinsurance premiums ceded	24,053,377	26,272,153	--	--
	Reinsurers' share of gross claims paid	6,200,222	4,650,437	--	--
	Reinsurance commission income	6,850,016	7,899,041	--	--
	Outsourced service charges	3,500,000	4,079,270	(10,400,000)	(6,900,000)
	Brand fee	15,050	15,050	(97,825)	(90,300)
	Reinsurers' share of gross outstanding claims	--	--	101,880,050	24,272,489
	Gross outstanding claims	--	--	52,682,089	(55,339,134)
Board of directors	- Remuneration and meeting fee	232,500	244,000	(720,500)	(488,000)
Key management personnel	- Short term benefits	2,874,438	2,210,977	--	--
	- End of service benefits	72,850	43,992	--	--





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(UNAUDITED) (continued)

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13 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 payment for 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.



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

30 June 2013

14 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administration expenses and other income.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, bank balances and cash, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralised basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued expenses and other liabilities. Accordingly, these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralised basis.

All of the Company's operating assets, except certain reinsurance balances) and principal activities are located in the Kingdom of Saudi Arabia.

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.

	<i>For the three month period ended 30 June 2013 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	5,595,944	33,042,612	4,256,957	13,200,868	7,607,923	4,752,953	68,457,257
Reinsurance premiums ceded	(5,082,049)	--	(3,372,066)	(7,261,927)	(4,147,758)	(2,913,901)	(22,777,701)
Excess of loss premiums	(325,251)	(898,912)	(527,145)	(116,254)	(607,194)	(170,529)	(2,645,285)
Net premiums written	188,644	32,143,700	357,746	5,822,687	2,852,971	1,668,523	43,034,271
Change in unearned premiums, net	997,991	(5,861,942)	89,999	(3,499,964)	870,492	1,547,424	(5,856,000)
Net premiums earned	1,186,635	26,281,758	447,745	2,322,723	3,723,463	3,215,947	37,178,271
Gross claims paid	(1,874,981)	(28,646,714)	(741,992)	(2,189,978)	(1,644,574)	(2,693,974)	(37,792,213)
Reinsurers' share of gross claims paid	1,684,483	1,237,988	478,795	576,994	292,006	1,691,983	5,962,249
Change in outstanding claims, net	(4,577,854)	3,086,969	479,796	(937,990)	(1,652,384)	1,781,610	(1,819,853)
Net claims incurred	(4,768,352)	(24,321,757)	216,599	(2,550,974)	(3,004,952)	779,619	(33,649,817)
Policy acquisition costs	(1,033,890)	(1,330,759)	(635,435)	(228,481)	(674,993)	(202,955)	(4,106,513)
Reinsurance commission income	2,585,458	--	1,188,872	--	1,670,317	564,800	6,009,447
Other underwriting expenses	(1,943,150)	1,308,235	1,284,780	(567,731)	1,918,833	3,430,421	5,431,388
Net underwriting result	--	--	--	--	--	--	(476,381)
Operating and administrative salaries							4,955,007
Other general and administration expenses							(9,643,889)
Special commission income							(3,604,544)
Other income, net							123,348
Insurance operations' deficit							1,434
							(8,168,644)

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(UNAUDITED) (continued)

30 June 2013

14 SEGMENTAL INFORMATION (continued)

	<i>For the three month period ended 30 June 2012 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
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	(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
Other underwriting expenses	1,866,812	7,399,280	1,465,821	(5,174)	2,744,684	4,057,716	17,529,139
	--	--	--	--	--	--	(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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 June 2013

14 SEGMENTAL INFORMATION (continued)

	<i>For the six month period ended 30 June 2013 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	29,203,708	62,090,169	11,480,885	15,010,850	17,257,827	14,635,853	149,679,292
Reinsurance premiums ceded	(26,159,838)	--	(9,391,806)	(7,486,925)	(9,467,005)	(8,093,062)	(60,598,636)
Excess of loss premiums	(1,156,743)	(1,839,963)	(931,181)	(196,578)	(1,109,574)	(438,296)	(5,672,335)
Net premiums written	1,887,127	60,250,206	1,157,898	7,327,347	6,681,248	6,104,495	83,408,321
Change in unearned premiums, net	262,998	(9,071,909)	(288,998)	(2,986,970)	725,576	115,303	(11,244,000)
Net premiums earned	2,150,125	51,178,297	868,900	4,340,377	7,406,824	6,219,798	72,164,321
Gross claims paid	(2,577,974)	(53,249,468)	(854,991)	(5,032,950)	(9,524,153)	(3,990,960)	(75,230,496)
Reinsurers' share of gross claims paid	2,295,077	1,520,985	555,994	1,500,985	6,390,594	2,645,974	14,909,609
Change in outstanding claims, net	(4,022,759)	5,854,942	142,798	(164,997)	(463,596)	3,038,684	4,385,072
Net claims incurred	(4,305,656)	(45,873,541)	(156,199)	(3,696,962)	(3,597,155)	1,693,698	(55,935,815)
Policy acquisition costs	(2,041,373)	(2,417,560)	(1,203,959)	(399,768)	(1,144,988)	(351,137)	(7,558,785)
Reinsurance commission income	5,733,321	--	2,246,734	--	3,158,281	981,751	12,120,087
Other underwriting expenses	--	--	--	--	--	--	(621,364)
Net underwriting result							20,168,444
Operating and administrative Salaries							(18,445,727)
Other general and administration Expenses							(7,526,460)
Special commission income							253,824
Other income, net							1,204
Insurance operations' deficit							(5,548,715)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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14 SEGMENTAL INFORMATION (continued)

	For the six month period ended 30 June 2012 (Unaudited)						Total SR
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	
Insurance operations							
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	(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
redNet claims incur	(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
Other underwriting expenses	2,661,246	12,548,188	1,427,650	654,778	6,417,057	7,120,099	30,829,018
Net underwriting result	-	-	-	-	-	-	(589,140)
Operating and administrative salaries							30,239,878
Other general and administration expenses							(17,764,478)
Special commission income							(8,979,139)
Other income, net							124,796
Insurance operations' surplus							2,050
							<u>3,623,107</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

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14 SEGMENTAL INFORMATION (continued)

<i>As at 30 June 2013 (unaudited)</i>							
	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	18,137,819	-	10,014,900	7,008,930	4,147,759	3,547,392	42,856,800
Reinsurers' share of outstanding claims	409,882,901	2,000	11,649,384	628,994	9,881,601	6,324,831	438,369,711
Deferred policy acquisition Costs	2,010,773	3,416,378	1,215,181	732,923	488,995	416,113	8,280,363
Unallocated assets							<u>213,822,094</u>
							<u>703,328,968</u>
Insurance operations' liabilities							
Unearned reinsurance commission Income	3,808,707	--	2,275,562	--	1,302,987	899,844	8,287,100
Gross unearned premiums	20,280,797	56,114,439	11,848,882	14,262,857	7,607,924	8,921,684	119,036,583
Gross outstanding claims	417,978,820	18,205,818	18,829,812	2,761,972	16,672,833	9,693,744	484,142,999
Unallocated liabilities							<u>91,862,286</u>
							<u>703,328,968</u>

<i>As at 31 December 2012</i>							
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
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							<u>196,084,726</u>
							<u>324,107,548</u>
Insurance operations' liabilities							
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							<u>77,841,148</u>
							<u>324,107,548</u>

15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 15 July 2013, corresponding to 06 Ramadan 1434H.