
**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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 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 Nine Month Periods Ended 30 September 2013

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KPMG Al Fozan & Al Sadhan

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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 September 2013, the related interim statements of comprehensive income for insurance and shareholders' operations for the three month and nine month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine 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.

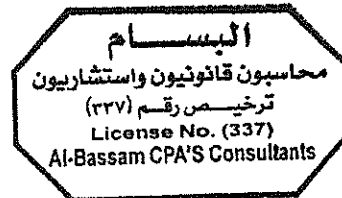
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19 Dhu Al-Hajj 1434H
(24 October 2013)

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	<i>Notes</i>	<i>30 September 2013 SR (Unaudited)</i>	<i>31 December 2012 SR (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	85,902,447	57,783,343
Investments	7(a)	1,923,079	1,923,079
Premiums and insurance balances receivable	9	98,067,961	73,056,437
Due from related parties		24,029,545	29,378,370
Due from shareholders' operations		40,574,574	27,656,454
Reinsurers' share of outstanding claims		758,544,675	84,476,906
Prepayments and other assets		8,830,519	5,147,146
Reinsurers' share of unearned premiums		69,920,300	38,856,217
Deferred policy acquisition costs		7,357,430	4,689,699
Property and equipment, net		736,617	1,139,897
TOTAL INSURANCE OPERATIONS' ASSETS		1,095,887,147	324,107,548
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	33,791,402	30,878,826
Time deposits		91,317,570	90,742,725
Investments	7(b)	27,552,897	27,185,887
Other assets		735,938	430,127
Due from insurance operations-current account		--	4,433,778
Statutory deposit		20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		173,397,807	173,671,343
TOTAL ASSETS		1,269,284,954	497,778,891

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

Bad Al-Ham

L.R.DAMM

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2013

	<i>30 September 2013</i>	<i>31 December 2012</i>
	SR <i>(Unaudited)</i>	SR <i>(Audited)</i>
INSURANCE OPERATIONS' LIABILITIES		
Gross outstanding claims	807,640,888	134,635,266
Accounts payable	3,793,936	8,249,679
Reinsurance balances payable	92,447,219	35,851,618
Due to shareholders' operations-current account	--	4,433,778
Accrued expenses and other liabilities	26,748,774	20,279,877
Surplus distribution payable	488,001	488,001
Unearned reinsurance commission	10,950,900	7,839,134
Gross unearned premiums	144,634,083	103,792,000
End of service indemnities	9,183,346	8,538,195
TOTAL INSURANCE OPERATIONS' LIABILITIES	1,095,887,147	324,107,548
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	40,574,574	27,656,454
Due to a related party	1,058,354	1,057,010
Accrued expenses and other liabilities	9,142,716	7,541,193
TOTAL SHAREHOLDERS' LIABILITIES	50,775,644	36,254,657
SHAREHOLDERS' EQUITY		
Share capital	200,000,000	200,000,000
Unrealized gain on available for sale investments	275,974	410,936
Accumulated losses	(77,653,811)	(62,994,250)
TOTAL SHAREHOLDERS' EQUITY	122,622,163	137,416,686
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	173,397,807	173,671,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,269,284,954	497,778,891

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

Rashid A. Hassan

AL ALAMIYA

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 nine month period ended</i>	
	<i>30 September 2013</i>	<i>30 September 2012</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
Notes	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross written premiums	101,523,740	62,978,573	251,203,032	183,128,776
Less: Reinsurance premium ceded	(60,880,031)	(32,593,625)	(121,478,667)	(83,874,659)
Excess of loss premiums	(2,834,941)	(3,059,480)	(8,507,276)	(8,260,812)
NET WRITTEN PREMIUMS	37,808,768	27,325,468	121,217,089	90,993,305
Changes in unearned premiums, net	1,466,000	3,440,000	(9,778,000)	(3,593,785)
NET PREMIUMS EARNED	39,274,768	30,765,468	111,439,089	87,399,520
Gross claims paid	(38,431,363)	(18,552,182)	(113,661,859)	(80,840,880)
Reinsurers' share of gross claims paid	8,307,705	3,467,611	23,217,314	25,096,379
Changes in outstanding claims, net	(3,322,925)	(4,023,199)	1,062,147	8,845,128
NET CLAIMS INCURRED	(33,446,583)	(19,107,770)	(89,382,398)	(46,899,373)
Policy acquisition costs	(3,647,926)	(3,082,548)	(11,206,711)	(10,432,083)
Reinsurance commission income	6,647,550	7,077,067	18,767,637	16,413,171
Other underwriting expenses	(529,060)	10,949	(1,150,424)	(578,191)
NET UNDERWRITING SURPLUS	8,298,749	15,663,166	28,467,193	45,903,044
General and administrative expenses	(15,879,581)	(14,984,023)	(41,851,768)	(41,727,640)
Investment income	121,321	97,993	375,145	222,789
Other income	90,106	40,505	91,310	42,555
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	(7,369,405)	817,641	(12,918,120)	4,440,748
Shareholders' appropriation from insurance operations' deficit / (surplus)	3 7,369,405	(735,877)	12,918,120	(3,996,673)
NET SURPLUS AT END OF THE PERIOD	--	81,764	--	444,075

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

Red A. Alami

AL ALAMIYA

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

	<i>Notes</i>	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
		<i>30 September 2013</i>	<i>30 September 2012</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INCOME					
Shareholders’ appropriation from insurance operations’ (deficit) / surplus	3	(7,369,405)	735,877	(12,918,120)	3,996,673
Investment income		341,225	365,811	1,210,874	925,980
		(7,028,180)	1,101,688	(11,707,246)	4,922,653
General and administrative expenses		(385,035)	(409,523)	(1,192,163)	(1,978,855)
NET (LOSS) / INCOME FOR THE PERIOD		(7,413,215)	692,165	(12,899,409)	2,943,798
OTHER COMPREHENSIVE INCOME					
Change in fair value of available for sale investments		(120,688)	378,451	(134,962)	369,958
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(7,533,903)	1,070,616	(13,034,371)	3,313,756
BASIC AND DILUTED (LOSS) / EARNING PER SHARE FOR THE PERIOD	11	(0.37)	0.03	(0.64)	0.15

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

Paul A. de la...

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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the nine month period ended 30 September 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 2012	200,000,000	--	(63,684,438)	136,315,562
Net income for the period	--	--	2,943,798	2,943,798
<i>Other comprehensive income:</i> Net change in fair value of available for sale investments	--	369,958	--	369,958
Total comprehensive income for the period	--	369,958	2,943,798	3,313,756
Zakat and Income tax	--	--	(1,869,197)	(1,869,197)
Balance as at 30 September 2012	200,000,000	369,958	(62,609,837)	137,760,121
Balance at 1 January 2013	200,000,000	410,936	(62,994,250)	137,416,686
Net loss for the period	--	--	(12,899,409)	(12,899,409)
<i>Other comprehensive income:</i> Change in fair value of available for sale investments	--	(134,962)	--	(134,962)
Total comprehensive loss for the period	--	(134,962)	(12,899,409)	(13,034,371)
Zakat and Income tax	--	--	(1,760,152)	(1,760,152)
Balance as at 30 September 2013	200,000,000	275,974	(77,653,811)	122,622,163

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

Reda A. Hassan

Shahid M. Al-Sayid

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

INTERIM STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS
(UNAUDITED)

	Note	For the nine month period ended	
		30 September 2013 SR	30 September 2012 SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		--	444,075
<i>Adjustments to reconcile insurance operations' surplus to net cash provided from/ (used in) operating activities:</i>			
Depreciation		633,787	479,294
Employees' end of service benefits		1,152,036	1,500,000
Gain on sale of property and equipment		--	(76,162)
Provision for doubtful debt		(1,355,153)	--
Operating cash inflows before changes in operating assets and liabilities		430,670	2,347,207
<i>Changes in operating assets and liabilities:</i>			
Premiums and insurance balances receivable		(23,656,371)	6,775,803
Reinsurers' share of unearned premiums		(31,064,083)	(8,555,328)
Reinsurers' share of outstanding claims		(674,067,769)	1,180,550
Deferred policy acquisition costs		(2,667,731)	1,504,569
Prepayments and other assets		(3,683,373)	(3,037,461)
Due from related parties		5,348,825	(5,072,725)
Due from shareholders' operations		(12,918,120)	3,996,673
Accounts payable		(11,548,344)	(2,847,647)
Reinsurance balances payable		63,688,202	2,169,265
Unearned reinsurance commission income		3,111,766	3,067,447
Gross unearned premiums		40,842,083	12,149,113
Gross outstanding claims		673,005,622	(10,025,678)
Accrued expenses and other liabilities		6,468,897	6,659,841
Due to shareholders' operations-current account		(4,433,778)	(6,649,166)
Cash from operations		28,856,496	3,662,463
Employees' end of service benefits paid		(506,885)	(415,486)
Net cash from operating activities		28,349,611	3,246,977
INVESTING ACTIVITY			
Purchase of property and equipment		(230,507)	(673,752)
Proceeds from sale of property and equipment		--	117,282
Net cash used in investing activities		(230,507)	(556,470)
NET INCREASE IN CASH AND CASH EQUIVALENTS		28,119,104	2,690,507
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	85,902,447	46,697,706

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

Rad. A. Hassan

Ali Dawood

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

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

	<i>For the nine month period ended</i>	
	<i>30 September 2013</i>	<i>30 September 2012</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Net (loss) / income for the period	(12,899,409)	2,943,798
Operating cash outflows before changes in operating assets and liabilities		
<i>Changes in operating assets and liabilities:</i>		
Other assets	(305,811)	697,736
Due from insurance operations-current account	4,433,778	6,649,166
Due to a related party	1,344	259,493
Due to insurance operations	12,918,120	(3,996,673)
Accrued expenses and other liabilities	(258,712)	425,204
	3,889,310	5,583,252
Zakat paid	(474,762)	(469,483)
Net cash from operating activities	3,414,548	5,113,769
INVESTING ACTIVITIES		
Time deposits	--	27,851,544
Investments	(501,972)	(26,859,671)
Net cash (used in) / from investing activities	(501,972)	991,873
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,912,576	6,105,642
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	33,791,402
<u>Non-cash transactions:</u>		
Net change in fair value of available for sale investments	(134,962)	369,958

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

Bech A. Alami

Ali Alami

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

30 September 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 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 was approved by the shareholders at their General Assembly Meeting held on 17 April 2012.

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 nine month period ended 30 September 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. Certain comparative amounts have been reclassified to conform with the current period presentation.

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

Red A. Alami

Al Alami

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 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 amendments, 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 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 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, the 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 September 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 September 2013		31 December 2012	
	Insurance operations (Unaudited) SR	Shareholders' operations (Unaudited) SR	Insurance operations (Audited) SR	Shareholders' operations (Audited) SR
Cash in hand	13,049	--	42,500	--
Cash at banks - Current accounts	45,163,031	33,791,402	12,460,700	30,878,826
- Time deposit	40,726,367	--	45,280,143	--
	<u>85,902,447</u>	<u>33,791,402</u>	<u>57,783,343</u>	<u>30,878,826</u>

Included in cash and cash equivalents is SR 22.9 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.

Sadeh A. Alwan

AL ALAMIYA

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

7 INVESTMENTS

a) Insurance operations – Investments

This represents investment in respect of the Company's share in the capital of Najm for Insurance Services. 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

	<i>As at 30 September 2013</i>		<i>As at 31 December 2012</i>	
	<i>Amortised Cost</i>	<i>Market Value</i>	<i>Amortised Cost</i>	<i>Market Value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Bonds				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,854,741	3,891,525	3,957,442	4,003,125
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,488,327	4,453,125	3,846,540	3,851,700
Sukuks				
Saudi Electricity Company	18,933,854	19,208,247	18,970,969	19,331,062
	<u>27,276,922</u>	<u>27,552,897</u>	<u>26,774,951</u>	<u>27,185,887</u>

The effective special commission income ranges between 2.1% to 2.8% 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.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,891,525	--	--	3,891,525
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,453,125	--	--	4,453,125
Saudi Electricity Company (Sukuks)	19,208,247	--	--	19,208,247
Najm for insurance services	--	--	1,923,079	1,923,079
	<u>27,552,897</u>	<u>--</u>	<u>1,923,079</u>	<u>29,475,976</u>

Red A. Alwan

Red A. Alwan

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

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 nine-month period ended 30 September 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 (134,962) (2012: SR 369,958) has been recorded in the interim statement of comprehensive income – shareholders' operations.

9 PREMIUM AND INSURANCE BALANCE RECEIVABLE, NET

	<i>30 September 2013</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2012</i> <i>(Audited)</i> <i>SR</i>
Premiums receivable	68,388,975	54,858,452
Receivables from insurance and reinsurance companies	7,835,147	6,337,343
Receivables from related parties	34,584,604	27,576,263
	<u>110,808,726</u>	<u>88,772,058</u>
Less: Allowance for doubtful debts	<u>(12,740,764)</u>	<u>(15,715,621)</u>
	<u>98,067,961</u>	<u>73,056,437</u>

Allowance for doubtful debts includes SR 1.2 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.

Bad A. Han

Ali Alamiya

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

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 nine month period ended		Balance as at	
		30 September 2013 (Unaudited) SR	30 September 2012 (Unaudited) SR	30 September 2013 (Unaudited) SR	31 December 2012 (Audited) SR
Shareholders / Companies under common management	Gross written Premiums	91,159,698	64,002,488	--	27,576,263
	Gross claims paid	62,799,129	47,362,581	--	--
	Reinsurance premiums ceded	39,295,849	36,508,054	--	--
	Reinsurers' share of gross claims paid	9,156,998	6,389,865	--	--
	Reinsurance commission income	10,519,827	10,827,689	--	--
	Outsourced service charges	5,250,000	6,101,250	(12,150,000)	(6,900,000)
	Brand fee	22,575	22,575	(105,350)	(90,300)
	Reinsurers' share of gross outstanding Claims	--	--	161,945,515	24,272,489
Gross outstanding claims	--	--	(35,917,380)	(55,339,134)	
Board of directors	- Remuneration and meeting fee	348,750	366,000	(379,250)	(488,000)

Key management personnel's remuneration

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

	Nine month period ended 30 September 2013 (Unaudited) SR	Nine month period ended 30 September 2012 (Unaudited) SR
Short term benefits	4,391,937	4,516,604
End of service indemnities	111,488	106,071

Bad A. Alwan

Ali Alwan

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

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.

Redi A. Hasan

[Signature]

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 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.

For the three month period ended 30 September 2013 (Unaudited)

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	40,064,599	28,000,474	4,900,951	2,573,974	13,508,865	12,474,877	101,523,740
Reinsurance premiums ceded	(37,712,313)	-	(4,163,058)	(1,368,386)	(8,895,211)	(8,741,063)	(60,880,031)
Excess of loss premiums	(1,131,529)	(482,906)	(559,814)	(59,251)	(406,646)	(194,795)	(2,834,941)
Net written premiums	1,220,757	27,517,568	178,079	1,146,337	4,207,008	3,539,019	37,808,768
Change in unearned premiums, net	(577,995)	1,223,988	251,998	2,011,980	(1,153,989)	(289,982)	1,466,000
Net premiums earned	642,762	28,741,556	430,077	3,158,317	3,053,019	3,249,037	39,274,768
Gross claims paid	(3,339,967)	(25,123,748)	(318,997)	(3,128,968)	(4,052,707)	(2,466,976)	(38,431,363)
Reinsurers' share of gross claims paid	3,051,670	(1,520,985)	252,998	1,737,983	3,053,057	1,732,982	8,307,705
Change in outstanding claims, net	(1,773,082)	(1,008,990)	148,198	(826,993)	(139,299)	277,241	(3,322,925)
Net claims incurred	(2,061,379)	(27,653,723)	82,199	(2,217,978)	(1,138,949)	(456,753)	(33,446,583)
Policy acquisition costs	(775,717)	(1,202,836)	(711,505)	(310,878)	(488,995)	(157,995)	(3,647,926)
Reinsurance commission income	3,223,994	-	1,411,440	-	1,318,997	693,119	6,647,550
Other underwriting expenses	1,029,660	(115,003)	1,212,211	629,461	2,744,072	3,327,408	8,827,809
Net underwriting surplus	-	-	-	-	-	-	(529,060)
General and administrative Expenses							8,298,749
Investment income							(15,879,581)
Other income, net							121,321
Insurance operations' deficit							90,106
							<u>(7,369,405)</u>

Red. A. Alami

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

14 SEGMENTAL INFORMATION (continued)

	<i>For the three month period ended 30 September 2012 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
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 written premiums	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	(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
	-	-	-	-	-	-	10,949
Net underwriting surplus							15,663,166
General and administrative Expenses							(14,984,023)
Investment income							97,993
Other income, net							40,505
Insurance operations' surplus							817,641

Red Al Alam

Khalid Al Alam

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

14 SEGMENTAL INFORMATION (continued)

For the nine month period ended 30 September 2013 (Unaudited)

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	69,268,307	90,090,643	16,381,836	17,584,824	30,766,692	27,110,730	251,203,032
Reinsurance premiums ceded	(63,872,151)	-	(13,554,864)	(8,855,311)	(18,362,216)	(16,834,125)	(121,478,667)
Excess of loss premiums	(2,288,272)	(2,322,869)	(1,490,995)	(255,829)	(1,516,220)	(633,091)	(8,507,276)
Net written premiums	3,107,884	87,767,774	1,335,977	8,473,684	10,888,256	9,643,514	121,217,089
Change in unearned premiums, net	(314,997)	(7,847,921)	(37,000)	(974,990)	(428,413)	(174,679)	(9,778,000)
Net premiums earned	2,792,887	79,919,853	1,298,977	7,498,694	10,459,843	9,468,835	111,439,089
Gross claims paid	(5,917,941)	(78,373,216)	(1,173,988)	(8,161,918)	(13,576,861)	(6,457,935)	(113,661,859)
Reinsurers' share of gross claims paid	5,346,747	-	808,992	3,238,968	9,443,652	4,378,955	23,217,314
Change in outstanding claims, net	(5,795,841)	4,845,952	290,996	(991,990)	(602,895)	3,317,925	1,062,147
Net claims incurred	(6,367,035)	(73,527,264)	(74,000)	(5,914,940)	(4,736,104)	1,236,945	(89,382,398)
Policy acquisition costs	(2,817,090)	(3,620,396)	(1,915,464)	(710,646)	(1,633,983)	(509,132)	(11,206,711)
Reinsurance commission income	8,957,315	-	3,658,174	-	4,477,278	1,674,870	18,767,637
	2,566,077	2,772,193	2,967,687	873,108	8,567,034	11,871,518	29,617,617
Other underwriting expenses	-	-	-	-	-	-	(1,150,424)
Net underwriting result							28,467,193
General and administrative Expenses							(41,851,768)
Investment income							375,145
Other income, net							91,310
Insurance operations' deficit							(12,918,120)

Red A. Alami

Red A. Alami

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2013

14 SEGMENTAL INFORMATION (continued)

	<i>For the nine month period ended 30 September 2012 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
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 written premiums	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	(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	5,302,298	17,904,957	2,808,623	1,269,685	9,195,930	9,999,742	46,481,235
Net underwriting surplus	-	-	-	-	-	-	(578,191)
Net underwriting surplus							45,903,044
General and administrative Expenses							(41,727,640)
Investment income							222,789
Other income, net							42,555
Insurance operations' surplus							4,440,748

Bad A. Alami

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 September 2013

14 SEGMENTAL INFORMATION (continued)

	<i>As at 30 September 2013 (unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned Premiums	38,725,613	-	10,002,900	5,646,944	8,894,794	6,650,049	69,920,300
Reinsurers' share of outstanding claims	728,720,613	2,000	10,663,593	2,151,978	7,754,326	9,252,165	758,544,675
Deferred policy acquisition Costs	1,808,050	2,849,991	1,106,670	557,044	709,993	325,599	7,357,347
Unallocated assets							<u>260,064,742</u>
							<u>1,095,887,147</u>
Insurance operations' liabilities							
Unearned reinsurance commission Income	4,951,101	-	2,106,379	-	2,753,972	1,139,448	10,950,900
Gross unearned premiums	41,446,586	54,890,451	11,584,884	10,888,891	13,508,948	12,314,323	144,634,083
Gross outstanding claims	738,589,614	19,214,808	17,695,823	5,111,949	14,684,857	12,343,837	807,640,888
Unallocated liabilities							<u>132,661,276</u>
							<u>1,095,887,147</u>

	<i>As at 31 December 2012 (Audited)</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 24 October 2013, corresponding to 19 Dhu-al Hajj 1434H.

Paul A. Hassan

SRDAM