

---

**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 TWELVE MONTH PERIODS ENDED 31 DECEMBER  
2014**

---

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 Twelve Month Periods Ended 31 December 2014

<b>INDEX</b>	<b>PAGE</b>
Independent auditors' review report	1
Interim statement of financial position	2 – 3
Interim statement of comprehensive income - insurance operations	4
Interim statement of comprehensive income - shareholders' operations	5
Interim statement of changes in shareholders' equity	6
Interim statement of cash flows - insurance operations	7
Interim statement of cash flows - shareholders' operation	8
Notes to the interim condensed financial statements	9 – 19



KPMG Al Fozan & Al Sadhan



Al-Bassam & Al-Nemer  
Allied Accountants

**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 31 December 2014, the related interim statements of comprehensive income for insurance and shareholders' operations for the three month and twelve month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve 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

PKF Al-Bassam & Al-Nemer  
Allied Accountants  
P. O. Box 28355  
Riyadh 11437  
Kingdom of Saudi Arabia

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

Abdul Mohsen M. Al Nemer  
Certified Public Accountant  
License No. 399

24 Rabi Al Awwal 1436H  
(15 January 2015)



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<b>31 December 2014 SR (Unaudited)</b>	<b>31 December 2013 SR (Audited)</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	60,891,348	40,462,274
Term deposits		54,195,859	83,914,450
Investments	6(a)	1,923,079	1,923,079
Premiums and insurance balances receivable	8	82,154,784	77,173,180
Due from related parties		2,052,914	1,256,938
Due from shareholders' operations		77,577,490	49,320,644
Reinsurers' share of unearned premiums		70,004,884	69,121,800
Reinsurers' share of outstanding claims		395,362,988	596,366,930
Deferred policy acquisition costs		6,136,160	6,027,808
Prepayments and other assets		7,978,400	5,003,694
Property and equipment, net		1,259,082	855,456
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>759,536,988</b>	<b>931,426,253</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	12,476,575	9,958,892
Term deposits		100,220,075	115,627,202
Investments	6(b)	40,624,123	27,404,625
Other assets		424,271	424,835
Statutory deposit	9	20,000,000	20,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>173,745,044</b>	<b>173,415,554</b>
<b>TOTAL ASSETS</b>		<b>933,282,032</b>	<b>1,104,841,807</b>

The accompanying notes 1 to 14 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 31 December 2014

	<i>31 December 2014 SR (Unaudited)</i>	<i>31 December 2013 SR (Audited)</i>
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Gross outstanding claims	471,947,554	663,503,315
Gross unearned premiums	151,161,351	138,747,983
Accounts payable	6,060,301	3,769,281
Reinsurance balances payable	76,900,309	75,912,509
Due to related parties	2,987,938	3,153,965
Accrued expenses and other liabilities	30,278,830	27,775,624
Surplus distribution payable	488,001	488,001
Unearned reinsurance commission	10,654,878	8,880,200
End of service indemnities	9,057,826	9,195,375
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>759,536,988</b>	<b>931,426,253</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Due to insurance operations	77,577,490	49,320,644
Due to a related party	1,058,354	1,058,354
Accrued expenses and other liabilities	12,299,691	9,929,652
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>90,935,535</b>	<b>60,308,650</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	200,000,000	200,000,000
Unrealized (loss) / gain on available for sale investments	(384,982)	208,689
Accumulated losses	(116,805,509)	(87,101,785)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>82,809,509</b>	<b>113,106,904</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>173,745,044</b>	<b>173,415,554</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>933,282,032</b>	<b>1,104,841,807</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

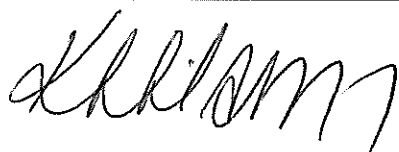



AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – INSURANCE OPERATIONS  
(UNAUDITED)

	<i>Note</i>	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
		<i>31 December 2014 SR</i>	<i>31 December 2013 SR</i>	<i>31 December 2014 SR</i>	<i>31 December 2013 SR</i>
Gross written premiums		90,453,405	79,679,307	335,198,886	330,882,339
Less: Reinsurance premium ceded		(38,874,552)	(37,882,152)	(151,907,802)	(159,360,819)
Excess of loss premiums		(2,743,730)	(3,290,013)	(11,546,168)	(11,797,289)
<b>NET WRITTEN PREMIUMS</b>		<b>48,835,123</b>	<b>38,507,142</b>	<b>171,744,916</b>	<b>159,724,231</b>
Changes in unearned premiums, net		(6,832,651)	5,087,600	(11,530,284)	(4,690,400)
<b>NET PREMIUMS EARNED</b>		<b>42,002,472</b>	<b>43,594,742</b>	<b>160,214,632</b>	<b>155,033,831</b>
Gross claims paid		(58,017,793)	(204,086,798)	(312,278,853)	(317,748,657)
Reinsurers' share of gross claims paid		28,164,851	176,548,712	180,911,149	199,766,026
Changes in outstanding claims, net		618,499	(18,040,172)	(9,448,181)	(16,978,025)
<b>NET CLAIMS INCURRED</b>		<b>(29,234,443)</b>	<b>(45,578,258)</b>	<b>(140,815,885)</b>	<b>(134,960,656)</b>
Policy acquisition costs		(3,111,981)	(3,836,085)	(15,195,720)	(15,042,796)
Reinsurance commission income		5,653,909	9,405,212	24,625,957	28,172,849
Other underwriting expenses		(474,281)	(370,730)	(1,701,891)	(1,521,154)
<b>NET UNDERWRITING SURPLUS</b>		<b>14,835,676</b>	<b>3,214,881</b>	<b>27,127,093</b>	<b>31,682,074</b>
General and administrative expenses		(13,226,100)	(12,130,051)	(55,929,161)	(53,981,819)
Investment income		107,090	125,901	551,200	501,046
Other (expense) / income		(22,930)	43,199	(5,978)	134,509
<b>INSURANCE OPERATIONS' SURPLUS / (DEFICIT)</b>		<b>1,693,736</b>	<b>(8,746,070)</b>	<b>(28,256,846)</b>	<b>(21,664,190)</b>
Shareholders' appropriation from insurance operations' (surplus) / deficit	2	(1,524,362)	8,746,070	28,256,846	21,664,190
<b>NET SURPLUS AT END OF THE PERIOD</b>		<b>169,374</b>	<b>--</b>	<b>--</b>	<b>--</b>

The accompanying notes 1 to 14 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 – SHAREHOLDERS’  
OPERATIONS (UNAUDITED)

	<i>Notes</i>	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>INCOME</b>					
Shareholders’ appropriation from insurance operations’ surplus / (deficit)	2	1,524,362	(8,746,070)	(28,256,846)	(21,664,190)
Investment income		357,812	355,579	1,555,972	1,566,453
		<u>1,882,174</u>	<u>(8,390,491)</u>	<u>(26,700,874)</u>	<u>(20,097,737)</u>
General and administration expenses		<u>(359,674)</u>	<u>(625,026)</u>	<u>(1,409,917)</u>	<u>(1,817,189)</u>
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>		<b>1,522,500</b>	<b>(9,015,517)</b>	<b>(28,110,791)</b>	<b>(21,914,926)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in fair value of available for sale investments		<u>(652,120)</u>	<u>(67,285)</u>	<u>(593,671)</u>	<u>(202,247)</u>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b><u>870,380</u></b>	<b><u>(9,082,802)</u></b>	<b><u>(28,704,462)</u></b>	<b><u>(22,117,173)</u></b>
<b>BASIC AND DILUTED EARNING / (LOSS) PER SHARE FOR THE PERIOD</b>	10	<b><u>0.08</u></b>	<b><u>(0.45)</u></b>	<b><u>(1.41)</u></b>	<b><u>(1.10)</u></b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

For the twelve month period ended 31 December 2014

	<i>Share capital SR</i>	<i>Unrealized (loss) / gain on available for sale investments SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2013 (audited)	200,000,000	410,936	(62,994,250)	137,416,686
Net loss for the period	--	--	(21,914,926)	(21,914,926)
<i>Other comprehensive income:</i>				
Net change in fair value of available for sale investments	--	(202,247)	--	(202,247)
Total comprehensive loss	--	(202,247)	(21,914,926)	(22,117,173)
Zakat and income tax	--	--	(2,192,609)	(2,192,609)
Balance as at 31 December 2014 (unaudited)	200,000,000	208,689	(87,101,785)	113,106,904
<b>Balance at 1 January 2014 (audited)</b>	<b>200,000,000</b>	<b>208,689</b>	<b>(87,101,785)</b>	<b>113,106,904</b>
Net loss for the period	--	--	(28,110,791)	(28,110,791)
<i>Other comprehensive income:</i>				
Change in fair value of available for sale investments	--	(593,671)	--	(593,671)
Total comprehensive loss	--	(593,671)	(28,110,791)	(28,704,462)
Zakat and income tax	--	--	(1,592,933)	(1,592,933)
<b>Balance as at 31 December 2014 (unaudited)</b>	<b>200,000,000</b>	<b>(384,982)</b>	<b>(116,805,509)</b>	<b>82,809,509</b>

The accompanying notes 1 to 14 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>Note</i>	<i>For the twelve month period ended</i>	
		<i>31 December 2014</i> SR	<i>31 December 2013</i> SR
<b>OPERATING ACTIVITIES</b>			
Insurance operations' surplus after shareholders' appropriation		--	--
<i>Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:</i>			
Depreciation		725,474	604,878
Employees' end of service indemnities		2,027,768	1,526,484
Provision for doubtful debt		328,985	(1,570,737)
Gain on sale of property and equipment		--	(12,392)
Operating cash inflows before changes in operating assets and liabilities		3,082,227	548,233
<i>Changes in operating assets and liabilities:</i>			
Premiums and insurance balances receivable		(5,310,589)	(2,546,006)
Due from related parties		(795,976)	33,557,243
Due from shareholders' operations		(28,256,846)	(21,664,190)
Reinsurers' share of outstanding claims		201,003,942	(511,890,024)
Prepayments and other assets		(2,974,706)	143,452
Reinsurers' share of unearned premiums		(883,084)	(30,265,583)
Deferred policy acquisition costs		(108,352)	(1,338,109)
Gross outstanding claims		(191,555,761)	528,868,049
Accounts payable		2,291,020	(11,572,999)
Reinsurance balances payable		987,800	47,153,492
Due to shareholders' operations-current account		--	(4,433,778)
Due to related parties		(166,027)	(2,281,846)
Accrued expenses and other liabilities		2,503,206	7,495,747
Unearned reinsurance commission income		1,774,678	1,041,066
Gross unearned premiums		12,413,368	34,955,983
Cash (used in) / from operations		(5,995,100)	67,770,730
Employees' end of service benefits paid		(2,165,317)	(869,304)
Net cash (used in) / from operating activities		(8,160,417)	66,901,426
<b>INVESTING ACTIVITY</b>			
Purchase of property and equipment		(1,129,100)	(368,045)
Sale proceed on disposal of property and equipment		--	60,000
Term deposit		29,718,591	(83,914,450)
Net cash from / (used in) investing activity		28,589,491	(84,222,495)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		20,429,074	(17,321,069)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		40,462,274	57,783,343
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	60,891,348	40,462,274

The accompanying notes 1 to 14 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)

	<i>For the twelve month period ended</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(28,110,791)	(21,914,926)
Operating cash outflows before changes in operating assets and liabilities		
<i>Changes in operating assets and liabilities:</i>		
Other assets	564	5,292
Due from insurance operations-current account	--	4,433,778
Due to a related party	--	1,344
Due to insurance operations	28,256,846	21,664,190
Accrued expenses and other liabilities	777,106	670,612
	<u>923,725</u>	<u>4,860,290</u>
Zakat paid	--	(474,762)
<b>Net cash from operating activities</b>	<u>923,725</u>	<u>4,385,528</u>
<b>INVESTING ACTIVITIES</b>		
Term deposits	15,407,127	(24,884,477)
Investments	(13,813,169)	(420,985)
<b>Net cash from / (used in) investing activities</b>	<u>1,593,958</u>	<u>(25,305,462)</u>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,517,683</u>	<u>(20,919,934)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>9,958,892</u>	<u>30,878,826</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>5</u> <u>12,476,575</u>	<u>9,958,892</u>
<b><u>Non-cash transactions:</u></b>		
Net change in fair value of available for sale investments	<u>(593,671)</u>	<u>(202,247)</u>

The accompanying notes 1 to 14 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)

31 December 2014

**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 (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939).

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 (13 December 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 Road, Home Center Building, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

**2 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 “available for sale investments”.

*Statement of compliance*

The accompanying interim condensed financial statements for the three and twelve month periods ended 31 December 2014 (“the period”) are prepared in accordance with IAS 34 – Interim Financial Reporting, as such these 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 2013.

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 to the current period presentation.

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

---

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

**3 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 2013.

The Company has adopted the following new standards and amendments, which are effective for the Company's financial years starting 2014 and thereafter:

*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 in 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.

*IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36*

Amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

*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.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

**4 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 31 December 2013.

**5 CASH AND CASH EQUIVALENTS**

	31 December 2014		31 December 2013	
	Insurance operations (Unaudited) SR	Shareholders' operations (Unaudited) SR	Insurance operations (Audited) SR	Shareholders' operations (Audited) SR
Cash in hand	26,248	--	25,293	--
Cash at banks - Current accounts	60,865,100	12,476,575	40,436,981	9,958,892
	<u>60,891,348</u>	<u>12,476,575</u>	<u>40,462,274</u>	<u>9,958,892</u>

**6 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 (AFS)**

	31 December 2014		31 December 2013	
	Amortised cost SR	Market value SR	Amortised cost SR	Market value SR
<b>Bonds</b>				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	--	--	3,820,508	3,845,250
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,308,059	4,350,674	4,453,942	4,434,375
SABIC Capital II BV	13,853,721	13,500,000	--	--
<b>Sukuks</b>				
Saudi Electricity Company	18,870,826	18,923,436	18,921,483	19,125,000
EIB Sukuk Ltd (Emirates Islamic Bank)	3,976,499	3,850,013	--	--
	<u>41,009,105</u>	<u>40,624,123</u>	<u>27,195,933</u>	<u>27,404,625</u>

The investment income ranges between 1.9% to 2.8% per annum (2013: 2.1% to 2.8% per annum) in case of bonds and 2.4% per annum (2013: 2.4% per annum) in case of sukuks.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

7 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>SR</i>	<i>Level 2</i> <i>SR</i>	<i>Level 3</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<b>As at 31 December 2014</b>				
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,350,674	--	--	4,350,674
SABIC Capital II BV	13,500,000	--	--	13,500,000
Saudi Electricity Company (Sukuks)	18,923,436	--	--	18,923,436
EIB Sukuk Ltd(Emirates Islamic Bank)	3,850,013	--	--	3,850,013
	<b>40,624,123</b>	--	--	<b>40,624,123</b>
	<i>Level 1</i> <i>SR</i>	<i>Level 2</i> <i>SR</i>	<i>Level 3</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<b>As at 31 December 2013</b>				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,845,250	--	--	3,845,250
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,434,375	--	--	4,434,375
Saudi Electricity Company (Sukuks)	19,125,000	--	--	19,125,000
	<b>27,404,625</b>	--	--	<b>27,404,625</b>

The unlisted securities of SR 1.92 million (2013: SR 1.92 million), held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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 twelve-month period ended 31 December 2014, 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 a loss of SR (593,671) (2013: loss of SR 202,247) has been recorded in the interim statement of comprehensive income – shareholders' operations.

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

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

31 December 2014

**8 PREMIUM AND INSURANCE BALANCES RECEIVABLE**

	<i>31 December 2014</i> <i>(Unaudited)</i> <u>SR</u>	<i>31 December 2013</i> <i>(Audited)</i> <u>SR</u>
Premiums receivable	45,724,701	48,967,996
Receivables from insurance and reinsurance companies	21,983,148	20,501,445
Receivables from related parties	27,301,100	20,228,919
	<u>95,008,949</u>	<u>89,698,360</u>
Less: Allowance for doubtful debts	<u>(12,854,165)</u>	<u>(12,525,180)</u>
	<u><u>82,154,784</u></u>	<u><u>77,173,180</u></u>

Allowance for doubtful debts includes SR 1.9 million (31 December 2013: SR 2.6 million) against receivables from related parties. Movement in the allowance for doubtful debt was as follows:

	<i>2014</i> <u>SR</u>	<i>2013</i> <u>SR</u>
Balance at 1 January	12,525,180	15,715,621
Charge / (reversal) for the year	328,985	(1,570,737)
Write off against the provision	--	(1,619,704)
	<u>12,854,165</u>	<u>12,525,180</u>

**9 STATUTORY DEPOSIT**

Statutory deposit amounting to SR 20,000,000 (2013: 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.

**10 BASIC AND DILUTED EARNING / (LOSS) PER SHARE FOR THE PERIOD**

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

11 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 twelve month periods ended		Balance as at	
		31 December 2014 (Unaudited) SR	31 December 2013 (Unaudited) SR	31 December 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Shareholders / Companies under common management	Gross written Premiums	125,073,727	113,197,103	27,301,100	20,228,919
	Gross claims paid	92,699,086	79,821,348	--	--
	Reinsurance premiums ceded	54,203,141	53,091,341	--	--
	Reinsurers' share of gross claims paid	31,947,087	51,047,521	--	--
	Reinsurance commission income	11,842,219	14,261,850	--	--
	Outsourced service charges*	4,700,000	6,000,000	(13,958,760)	(12,900,000)
	Brand fee	30,100	30,100	(142,975)	(112,875)
	Reinsurers' share of gross outstanding Claims	--	--	(90,835,582)	161,896,613
Gross outstanding claims	--	--	(24,120,594)	(25,958,244)	
Board of directors	Remuneration and meeting fee	465,000	465,000	(489,705)	(495,500)

\*Outsourced service charges and brand fee are included within the accrued expenses and other liabilities appearing on the face of the statement of financial position.

Key management personnel's remuneration

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

	Twelve month periods ended 31 December 2014 (Unaudited) SR	Twelve month periods ended 31 December 2013 (Unaudited) SR
Short term benefits	6,228,959	5,869,296
End of service indemnities	204,877	149,020



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

12 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' operation 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 31 December 2014 (Unaudited)*

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations</b>							
Gross written premiums	36,024,737	28,088,976	5,818,912	2,680,973	6,878,448	10,961,359	90,453,405
Reinsurance premiums ceded	(23,277,922)	--	(4,987,368)	(1,461,985)	(2,857,851)	(6,289,426)	(38,874,552)
Excess of loss premiums	(1,271,918)	(492,777)	(182,451)	(131,854)	(513,915)	(150,815)	(2,743,730)
Net written premiums	11,474,897	27,596,199	649,093	1,087,134	3,506,682	4,521,118	48,835,123
Change in unearned premiums, net	(7,497,926)	2,287,977	1,691	(137,998)	(1,358,069)	(128,326)	(6,832,651)
Net premiums earned	3,976,971	29,884,176	650,784	949,136	2,148,613	4,392,792	42,002,472
Gross claims paid	(22,992,770)	(26,412,736)	(2,664,974)	(2,046,979)	(2,007,980)	(1,892,354)	(58,017,793)
Reinsurers' share of gross claims paid	23,474,968	--	1,610,084	1,225,988	768,292	1,085,519	28,164,851
Change in outstanding claims, net	(521,137)	(892,991)	2,001,125	318,997	1,579,085	(1,866,580)	618,499
Net claims incurred	(38,939)	(27,305,727)	946,235	(501,994)	339,397	(2,673,415)	(29,234,443)
Policy acquisition costs	(677,590)	(1,193,456)	(387,481)	(62,369)	(421,997)	(369,088)	(3,111,981)
Reinsurance commission income	2,705,257	--	401,057	--	1,197,668	1,349,927	5,653,909
	5,965,699	1,384,993	1,610,595	384,773	3,263,681	2,700,216	15,309,957
Other underwriting expenses							(474,281)
Net underwriting surplus							14,835,676
General and administrative Expenses							(13,226,100)
Investment income							107,090
Other (expense) / income							(22,930)
Insurance operations' surplus							1,693,736

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

12 SEGMENTAL INFORMATION (continued)

	<i>For the three month period ended 31 December 2013 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations</b>							
Gross written premiums	31,163,689	28,452,172	2,772,972	3,222,968	8,264,918	5,802,588	79,679,307
Reinsurance premiums ceded	(30,145,399)	(3,612)	(2,213,978)	(2,096,979)	(4,172,159)	749,975	(37,882,152)
Excess of loss premiums	(992,225)	(697,031)	(559,184)	(109,669)	(752,392)	(179,512)	(3,290,013)
Net premiums written	26,065	27,751,529	(190)	1,016,320	3,340,367	6,373,051	38,507,142
Change in unearned premiums, net	471,996	2,704,973	412,596	1,259,986	521,195	(283,146)	5,087,600
Net premiums earned	498,061	30,456,502	412,406	2,276,306	3,861,562	6,089,905	43,594,742
Gross claims paid	(171,220,288)	(18,198,818)	(1,242,988)	(4,366,957)	(5,351,950)	(3,705,797)	(204,086,798)
Reinsurers' share of gross claims paid	168,971,810	--	762,192	1,747,982	2,609,727	2,457,001	176,548,712
Change in outstanding claims, net	1,141,488	(21,122,758)	331,797	2,060,980	1,347,987	(1,799,666)	(18,040,172)
Net claims incurred	(1,106,990)	(39,321,576)	(148,999)	(557,995)	(1,394,236)	(3,048,462)	(45,578,258)
Policy acquisition costs	(615,788)	(1,339,995)	(684,594)	(290,932)	(709,994)	(194,782)	(3,836,085)
Reinsurance commission income	5,576,231	--	1,202,144	--	2,753,937	(127,100)	9,405,212
Other underwriting expenses	4,351,514	(10,205,069)	780,957	1,427,379	4,511,269	2,719,561	3,585,611
	--	--	--	--	--	--	(370,730)
Net underwriting surplus							3,214,881
General and administrative Expenses							(12,130,051)
Investment income							125,901
Other income, net							43,199
Insurance operations' deficit							<u>(8,746,070)</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

12 SEGMENTAL INFORMATION (continued)

	<i>For the Twelve month period ended 31 December 2014 (Unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations</b>							
Gross written premiums	107,945,018	125,683,000	24,962,721	7,908,921	27,614,241	41,084,985	335,198,886
Reinsurance premiums ceded	(88,328,093)	--	(22,085,397)	(4,381,956)	(13,861,841)	(23,250,515)	(151,907,802)
Excess of loss premiums	(4,599,198)	(2,169,660)	(1,353,949)	(344,712)	(2,247,833)	(830,816)	(11,546,168)
Net written premiums	15,017,727	123,513,340	1,523,375	3,182,253	11,504,567	17,003,654	171,744,916
Change in unearned premiums, net	(8,382,917)	(4,161,959)	(178,908)	1,900,982	73,346	(780,828)	(11,530,284)
Net premiums earned	6,634,810	119,351,381	1,344,467	5,083,235	11,577,913	16,222,826	160,214,632
Gross claims paid	(167,005,330)	(114,318,857)	(4,747,953)	(12,473,875)	(4,384,528)	(9,348,310)	(312,278,853)
Reinsurers' share of gross claims paid	162,446,478	--	3,290,267	7,414,926	997,663	6,761,815	180,911,149
Change in outstanding claims, net	2,696,681	(8,046,070)	3,334,412	(700,993)	(1,068,289)	(5,663,922)	(9,448,181)
Net claims incurred	(1,862,171)	(122,364,927)	1,876,726	(5,759,942)	(4,455,154)	(8,250,417)	(140,815,885)
Policy acquisition costs	(3,818,011)	(5,503,215)	(2,136,973)	(505,817)	(2,333,977)	(897,727)	(15,195,720)
Reinsurance commission income	13,616,887	--	3,827,753	--	4,149,821	3,031,496	24,625,957
Other underwriting expenses	14,571,515	(8,516,761)	4,911,973	(1,182,524)	8,938,603	10,106,178	28,828,984
Net underwriting surplus							(1,701,891)
General and administrative Expenses							27,127,093
Investment income							(55,929,161)
Other income, net							551,200
Insurance operations' deficit							(5,978)
							<u>(28,256,846)</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

12 SEGMENTAL INFORMATION (continued)

*For the Twelve month period ended 31 December 2013 (Unaudited)*

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations</b>							
Gross written premiums	100,431,996	118,542,815	19,154,808	20,807,792	39,031,610	32,913,318	330,882,339
Reinsurance premiums ceded	(94,017,550)	--	(15,768,842)	(10,952,290)	(22,534,375)	(16,087,762)	(159,360,819)
Excess of loss premiums	(3,280,497)	(3,019,900)	(2,050,179)	(365,498)	(2,268,612)	(812,603)	(11,797,289)
Net premiums written	3,133,949	115,522,915	1,335,787	9,490,004	14,228,623	16,012,953	159,724,231
Change in unearned premiums, net	156,999	(5,142,948)	375,596	284,996	92,782	(457,825)	(4,690,400)
Net premiums earned	3,290,948	110,379,967	1,711,383	9,775,000	14,321,405	15,555,128	155,033,831
Gross claims paid	(177,138,229)	(96,572,034)	(2,416,976)	(12,528,875)	(18,928,811)	(10,163,732)	(317,748,657)
Reinsurers' share of gross claims paid	174,318,557	--	1,571,184	4,986,950	12,053,379	6,835,956	199,766,026
Change in outstanding claims, net	(4,654,353)	(16,276,806)	622,793	1,068,990	745,092	1,516,259	(16,978,025)
Net claims incurred	(7,474,025)	(112,848,840)	(222,999)	(6,472,935)	(6,130,340)	(1,811,517)	(134,960,656)
Policy acquisition cost	(3,432,878)	(4,960,391)	(2,600,058)	(1,001,578)	(2,343,977)	(703,914)	(15,042,796)
Reinsurance commission income	14,533,546	--	4,860,318	--	7,231,215	1,547,770	28,172,849
Other underwriting expenses	6,917,591	(7,429,264)	3,748,644	2,300,487	13,078,303	14,587,467	33,203,228
Net underwriting surplus	--	--	--	--	--	--	31,682,074
General and administrative Expenses							(53,981,819)
Investment income							501,046
Other income, net							134,509
Insurance operations' deficit							(21,664,190)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2014

	<i>As at 31 December 2014 (unaudited)</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations' assets</b>							
Reinsurers' share of unearned Premiums	40,805,592	--	13,677,738	2,587,974	2,857,485	10,076,095	70,004,884
Reinsurers' share of outstanding claims	355,577,552	214,828	10,323,842	1,893,981	8,914,011	18,438,774	395,362,988
Deferred policy acquisition Costs	1,075,214	2,423,716	2,011,066	77,292	160,998	387,874	6,136,160
Unallocated assets							<u>288,032,956</u>
							<u>759,536,988</u>
<b>Insurance operations' liabilities</b>							
Gross outstanding claims	361,608,384	48,596,464	13,689,863	3,493,965	15,564,844	28,994,034	471,947,554
Gross unearned premiums	51,437,486	56,347,437	15,026,034	4,668,953	6,877,098	16,804,343	151,161,351
Unearned reinsurance commission Income	3,563,384	--	4,090,041	--	1,175,988	1,825,465	10,654,878
Unallocated liabilities							<u>125,773,205</u>
							<u>759,536,988</u>

	<i>As at 31 December 2013</i>						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
<b>Insurance operations' assets</b>							
Reinsurers' share of unearned Premiums	45,818,542	--	8,385,516	4,762,952	4,171,958	5,982,832	69,121,800
Reinsurers' share of outstanding claims	562,154,778	2,000	10,076,399	3,416,966	10,935,295	9,781,492	596,366,930
Deferred policy acquisition Costs	1,304,261	2,542,985	820,072	452,110	667,993	240,387	6,027,808
Unallocated assets							<u>259,909,715</u>
							<u>931,426,253</u>
<b>Insurance operations' liabilities</b>							
Gross outstanding claims	570,882,291	40,337,566	16,776,832	4,315,957	16,517,839	14,672,830	663,503,315
Gross unearned premiums	48,067,519	52,185,478	9,554,904	8,744,913	8,264,917	11,930,252	138,747,983
Unearned reinsurance commission Income	5,650,025	--	1,526,638	--	1,217,988	485,549	8,880,200
Unallocated liabilities							<u>120,294,755</u>
							<u>931,426,253</u>

**13 SHARE CAPITAL INCREASE:**

The Company has decided to increase its share capital through rights issue to maintain the solvency margin of the business and support the future growth of the company. The company's application to increase its share capital has been approved by Saudi Arabian Monetary Agency (SAMA) and by the Capital Markets Authority (CMA).

The Company held an extraordinary general assembly of its shareholders on 6 January 2015 to approve the increase in the share capital through a rights issue. Based on the approval received from the shareholders at the extraordinary general assembly, the company will proceed to raise SAR 200m through a rights issue. Under the terms of the rights Issue, the Company will offer 20,000,000 new ordinary shares by way of rights to qualifying shareholders at SAR 10 per new ordinary share at close of business on the record date, 06 January 2015. The rights Issue will be made on the basis of one new ordinary share for every 1 existing ordinary share held by shareholders.

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

The interim condensed financial statements have been approved by the Board of Directors on 15 January 2015, corresponding to 24 Rabi Al Awwal 1436H.