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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2016**

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITORS'  
LIMITED REVIEW REPORT FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER  
2016

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**Independent Auditors' review report on interim condensed financial statements to the shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company)**

**Scope of review**

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance - a Saudi Joint Stock Company (the "Company") as at 30 September, 2016 and the related interim statements of income and comprehensive income - takaful and shareholders' operations, the related interim statement of changes in shareholders' equity and statements of cash flows - takaful and shareholders' operations for the three months and nine months then ended and the related notes which form 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 limited 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 the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

Based on our limited 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.

**Aldar Audit Bureau**  
Abdullah Al Basri & Co  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia



**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171



October 20, 2016 (G)  
Muharram 19, 1438 (H)

**Dr. Mohamed Al Amri & Co**  
P. O. Box 8736  
Riyadh 11492  
Kingdom of Saudi Arabia



**Gihad M. Al-Amri**  
Certified Public Accountant  
Registration No. 362



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

INTERIM STATEMENT OF FINANCIAL POSITION

		30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
<b>TAKAFUL OPERATIONS' ASSETS</b>			
Bank balances and cash	5	183,281	188,602
Due from shareholders' operations		198,771	203,259
Contributions and re-takaful balances receivable, net	6	310,702	261,743
Advances, prepayments and other assets		12,483	14,769
Re-takaful share of outstanding claims		106,584	110,414
Re-takaful share of unearned contributions		78,593	71,773
Re-takaful share of mathematical reserve		58	177
Investments held to maturity	8(i)(a)	780,000	330,000
Available for sale investments	8(i)(b)	66,174	6,578
Unit linked investments		9,863	4,978
Deferred policy acquisition costs		26,164	17,080
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>1,772,673</b>	<b>1,209,373</b>
<b>SHAREHOLDERS' OPERATIONS' ASSETS</b>			
Bank balances and cash	5	52,680	75,707
Management fees receivable		116,889	46,740
Matured murabaha deposit – receivable		-	39,038
Advances, prepayments and other assets		15,319	9,451
Investments held to maturity	8(ii)(a)	305,000	190,000
Available for sale investments	8(ii)(b)	20,863	78,304
Investments at fair value through income statement	8(ii)(c)	67,058	77,314
Statutory deposit	7	40,000	40,000
Accrued income – statutory deposit		1,428	761
Intangible assets, net		13,048	15,089
Property and equipment, net		7,655	8,926
<b>TOTAL SHAREHOLDERS' OPERATIONS' ASSETS</b>		<b>639,940</b>	<b>581,330</b>
<b>TOTAL ASSETS</b>		<b>2,412,613</b>	<b>1,790,703</b>



Ahmed Sulaiman Al Rajhi  
Member-Board



Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer



Robert Pereira  
Chief Financial Officer

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

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

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 September 2016 (Unaudited) Note SR'000	31 December 2015 (Audited) SR'000
<b>TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		
<b>TAKAFUL OPERATIONS' LIABILITIES</b>		
Gross outstanding claims	505,986	360,727
Management fees payable	116,889	46,740
Payables, accruals and other liabilities	72,025	45,265
Re-takaful balances payable	54,002	56,953
Unit linked liabilities	10,623	5,712
Other reserves	2,858	801
Gross unearned contributions	988,237	678,322
Unearned re-takaful commission income	7,442	7,435
	<b>1,758,062</b>	<b>1,201,955</b>
<b>TAKAFUL OPERATIONS' SURPLUS</b>		
Surplus distributable to policyholders	14,278	7,396
Fair value reserve for available for sale investments	333	22
	<b>1,772,673</b>	<b>1,209,373</b>
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES</b>		
Provision for zakat	14,391	9,368
Payables, accruals and other liabilities	18,282	17,928
Due to takaful operations	198,771	203,259
Employees' end of service benefits	9,359	8,611
Payable to SAMA	2,336	1,669
	<b>243,139</b>	<b>240,835</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	400,000	400,000
Accumulated losses	(3,405)	(59,766)
Fair value reserve for available for sale investments	206	261
	<b>396,801</b>	<b>340,495</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>396,801</b>	<b>340,495</b>
<b>TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>	<b>639,940</b>	<b>581,330</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>	<b>2,412,613</b>	<b>1,790,703</b>



Ahmed Sulaiman Al Rajhi  
Member-Board



Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer



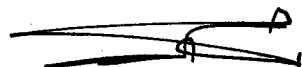
Robert Pereira  
Chief Financial Officer

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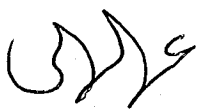
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>	<i>30 September 2016</i>	<i>30 September 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	433,658	298,984	1,472,936	993,712
Re-takaful contributions ceded	(22,535)	(33,096)	(69,565)	(85,397)
Excess of loss	(653)	(3,043)	(6,323)	(6,401)
<b>NET CONTRIBUTIONS WRITTEN</b>	<b>410,470</b>	<b>262,845</b>	<b>1,397,048</b>	<b>901,914</b>
Change in unearned contributions, net	(3,233)	3,408	(303,095)	(164,382)
<b>NET CONTRIBUTIONS EARNED</b>	<b>407,237</b>	<b>266,253</b>	<b>1,093,953</b>	<b>737,532</b>
Policy fees and other income	1,640	101	4,833	547
Re-takaful commission income	2,900	4,888	9,874	10,394
<b>TOTAL UNDERWRITING REVENUE</b>	<b>411,777</b>	<b>271,242</b>	<b>1,108,660</b>	<b>748,473</b>
Gross claims paid	(287,163)	(158,669)	(785,968)	(510,742)
Re-takaful share of claims paid	17,934	6,088	31,425	12,232
<b>NET CLAIMS PAID</b>	<b>(269,229)</b>	<b>(152,581)</b>	<b>(754,543)</b>	<b>(498,510)</b>
Movement in outstanding claims, net	(59,842)	(41,560)	(149,231)	(68,039)
<b>NET CLAIMS INCURRED</b>	<b>(329,071)</b>	<b>(194,141)</b>	<b>(903,774)</b>	<b>(566,549)</b>
Inspection and supervision fees	(2,451)	(1,930)	(8,772)	(6,694)
Policy acquisition costs	(11,467)	(8,269)	(31,157)	(22,379)
Change in mathematical reserve	(1,691)	(1,045)	(5,031)	(2,440)
Other expenses	(3,376)	(6,081)	(7,219)	(9,273)
<b>TOTAL CLAIMS AND OTHER EXPENSES</b>	<b>(348,056)</b>	<b>(211,466)</b>	<b>(955,953)</b>	<b>(607,335)</b>
<b>NET UNDERWRITING SURPLUS</b>	<b>63,721</b>	<b>59,776</b>	<b>152,707</b>	<b>141,138</b>
Other income	914	-	2,620	-
Investment income	6,212	994	12,627	3,028
Management fee for administration of takaful operations	(33,459)	(33,730)	(99,127)	(101,268)
Net surplus for the period	37,388	27,040	68,827	42,898
Management fee attributable to shareholders' operations	(33,649)	(24,336)	(61,945)	(38,608)
<b>NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS</b>	<b>3,739</b>	<b>2,704</b>	<b>6,882</b>	<b>4,290</b>



Ahmed Sulaiman Al Rajhi  
Member-Board



Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer



Robert Pereira  
Chief Financial Officer

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

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME – TAKAFUL OPERATIONS  
(UNAUDITED)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Net surplus distributable to policyholders	3,739	2,704	6,882	4,290
<b><i>Other comprehensive income to be reclassified subsequently to the statement of income:</i></b>				
Net change in fair value of available for sale investments (note 8(i))	146	24	311	42
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,885</b>	<b>2,728</b>	<b>7,193</b>	<b>4,332</b>



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Chief Executive Officer



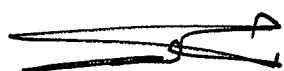
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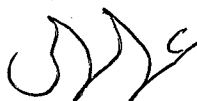
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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INTERIM STATEMENT OF INCOME – SHAREHOLDERS’ OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>REVENUE</b>				
Management fee for administration of takaful operations	33,459	33,730	99,127	101,268
Management fee attributable to shareholders’ operations	33,649	24,336	61,945	38,608
Dividend income	779	392	3,048	1,915
Loss from investments held as fair value through income statement	(8,079)	(11,207)	(10,255)	(6,537)
Special commission income on held to maturity investments	2,579	461	7,025	1,629
Realised gain on sale of available for sale investments	643	615	998	1,149
<b>TOTAL REVENUE</b>	<b>63,030</b>	<b>48,327</b>	<b>161,888</b>	<b>138,032</b>
General and administrative expenses	(33,459)	(33,730)	(99,127)	(101,268)
<b>INCOME BEFORE ZAKAT</b>	<b>29,571</b>	<b>14,597</b>	<b>62,761</b>	<b>36,764</b>
Provision for zakat	(3,100)	(1,123)	(6,400)	(3,123)
<b>NET INCOME FOR THE PERIOD</b>	<b>26,471</b>	<b>13,474</b>	<b>56,361</b>	<b>33,641</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)</b>	11	0.66	0.34	1.41
				0.94



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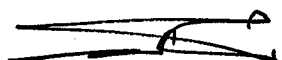
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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

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

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>	<i>30 September 2016</i>	<i>30 September 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	26,471	13,474	56,361	33,641
<b><i>Other comprehensive income to be reclassified subsequently to the statement of income:</i></b>				
Net change in fair value of available for sale investments (note 8 (ii) (b))	17	9	(55)	23
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>26,488</b>	<b>13,483</b>	<b>56,306</b>	<b>33,664</b>



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Member-Board



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Chief Executive Officer



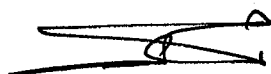
Robert Pereira  
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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)  
For the nine month period ended 30 September 2016

	<i>Share capital</i> <i>SR'000</i>	<i>Accumulated</i> <i>losses</i> <i>SR'000</i>	<i>Fair value</i> <i>reserve for</i> <i>AFS</i> <i>investments</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Balance as at 1 January 2015 (Audited)	200,000	(98,007)	51	102,044
Net income for the period	200,000	33,641	-	233,641
Other comprehensive income	-	-	23	23
Total comprehensive income for the period	200,000	33,641	23	233,664
Balance as at 30 September 2015 (Unaudited)	400,000	(64,366)	74	335,708
Balance as at 1 January 2016 (Audited)	400,000	(59,766)	261	340,495
Net income for the period	-	56,361	-	56,361
Other comprehensive loss	-	-	(55)	(55)
Total comprehensive income / (loss) for the period	-	56,361	(55)	56,306
<b>Balance as at 30 September 2016 (Unaudited)</b>	<b>400,000</b>	<b>(3,405)</b>	<b>206</b>	<b>396,801</b>



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

INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the nine month period ended</i>	
	<u>30 September 2016</u>	<u>30 September 2015</u>
<i>Note</i>	<u>SR'000</u>	<u>SR'000</u>
<b>OPERATING ACTIVITIES</b>		
Net surplus distributable to policyholders	6,882	4,290
<b>Adjustment for:</b>		
Management fee for administration of takaful operations	99,127	101,268
Management fee attributable to shareholders' operations	61,945	38,608
Allowance for doubtful receivables	3,448	7,158
<b>Net surplus before changes in operating assets and liabilities</b>	<b>164,506</b>	<b>151,324</b>
Changes in operating assets and liabilities:		
Due from shareholders' operations	4,488	1,269
Contributions and re-takaful balances receivable, net	(52,407)	(70,985)
Advances, prepayments and other assets	2,286	(15,528)
Re-takaful share of outstanding claims	3,830	(72,168)
Re-takaful share of unearned contributions	(6,820)	(25,917)
Re-takaful share of mathematical reserve	119	-
Deferred policy acquisition costs	(9,084)	(5,136)
Gross outstanding claims	145,259	140,208
Payables, accruals and other liabilities	26,760	505
Mathematical reserves	4,911	2,447
Other reserves	2,057	-
Re-takaful balances payable	(2,951)	26,462
Gross unearned contributions	309,915	190,291
Unearned re-takaful commission income	7	2,412
Deposit against letters of guarantee	1,997	(2,888)
	<u>601,769</u>	<u>322,296</u>
Management fee paid	(90,923)	(122,861)
<b>Net cash provided by operating activities</b>	<b>510,846</b>	<b>199,435</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of held to maturity investments	8(i)(a) (825,000)	(250,000)
Sale of held to maturity investments	8(i)(a) 375,000	-
Purchase of available for sale investments	8(i)(b) (428,000)	(1,547,000)
Sale of available for sale investments	8(i)(b) 368,715	1,530,639
Purchase of Unit linked Investments	(4,885)	(2,259)
<b>Net cash used in investing activities</b>	<b>(514,170)</b>	<b>(268,620)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,324)</b>	<b>(69,185)</b>
Cash and cash equivalents at the beginning of the period	174,055	318,530
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>170,731</b>	<b>249,345</b>
<b><u>Non - cash supplemental information:</u></b>		
Changes in fair value of AFS investments	311	42

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

Ahmed Sulaiman Al Rajhi  
Member-Board

Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer

Robert Pereira  
Chief Financial Officer

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

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

	<i>For the nine month period ended</i>	
	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
	<i>Note</i>	
<b>OPERATING ACTIVITIES</b>		
Income for the period before zakat		62,761
<i>Adjustments for:</i>		
Depreciation and amortisation		6,965
Management fee for administration of takaful operations		(99,127)
Management fee attributable to shareholders’ operations		(61,945)
Employees’ end of service benefits		2,157
Net loss on investments at fair value through income statement		10,255
		36,764
Net deficit before changes in operating assets and liabilities		(78,934)
Changes in operating assets and liabilities:		
Advances, prepayments and other assets		(5,868)
Accrued income – statutory deposit		(667)
Payables, accruals and others liabilities		354
Due to takaful operations		(4,488)
Payable to SAMA		667
		(86,455)
Management fee received		90,923
Zakat paid		(1,377)
Employees’ end of service benefits paid		(1,409)
		122,861
<b>Net cash (used in) / provided by operating activities</b>		<b>(799)</b>
		<b>33,754</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of intangible assets, net		(1,881)
Purchase of property and equipment, net		(1,772)
Purchase of held to maturity investments	8(i)(a)	(520,000)
Sale of held to maturity investments	8(i)(a)	405,000
Purchase of available for sale investments	8(ii)(b)	(45,000)
Sale of available for sale investments	8(ii)(b)	102,386
Purchase of investments at fair value through income statement	8(ii)(c)	(75,008)
Sale of investments at fair value through income statement	8(ii)(c)	75,009
Matured murabaha deposit – receivable		39,038
Investment in statutory deposit		-
		(3,750)
		(542)
		(170,000)
		69,770
		(605,000)
		593,852
		(50,428)
		12,428
		-
		(20,000)
<b>Net cash used in investing activities</b>		<b>(22,228)</b>
		<b>(173,670)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in capital		-
		200,000
<b>Net cash provided by financing activities</b>		<b>-</b>
		<b>200,000</b>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,027)</b>
Cash and cash equivalents at the beginning of the period		75,707
		53,428
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>52,680</b>
		<b>113,512</b>
<b><i>Non cash supplemental information:</i></b>		
Changes in fair value of available for sale investments		(55)
		23

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

Ahmed Sulaiman Al Rajhi  
Member-Board

Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer

Robert Pereira  
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
For the nine month period ended 30 September 2016

**1 ORGANISATION AND PRINCIPAL ACTIVITIES**

Al Rajhi Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010270371 dated 5 Rajab 1430 corresponding to 28 June 2009. The address of the registered office of the Company is as follows:

Al Rajhi Company for Cooperative Insurance  
P.O. Box 67791  
Riyadh 11517  
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance business and carry out related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 29 Dhul-Qi'dah 1430H (corresponding to 17 November 2009), the Company received its license from the Saudi Arabian Monetary Agency (SAMA) to transact cooperative insurance business in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 13 July 2009. The Company received product approvals from SAMA on 17 January 2010.

**2 BASIS OF PREPARATION**

*a) Basis of measurement*

These interim condensed financial statements have been prepared on the historical cost basis except for the measurement at fair value of investments held as Available for Sale ("AFS") and at Fair Value through Income Statement ("FVIS").

*b) Statement of compliance*

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34- "Interim Financial Reporting"

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015.

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations. The physical custody of all assets related to the Takaful Operations and Shareholders' Operations are held by the Company. Assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in their respective books. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

*c) Functional and presentation currency*

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Arabian Riyals rounded off to the nearest thousand (SR'000), unless otherwise indicated.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
For the nine month period ended 30 September 2016

**3 BASIS OF PRESENTATION**

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The Company in accordance with the Islamic sharia provisions managing the co-operative insurance operations calculates the management fee in the below manner and pays it in full at the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the statement of income – shareholders' operations; and
- The other component of the management fee is determined upto 90% of the net surplus if any for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

**4 SIGNIFICANT ACCOUNTING POLICIES**

**STANDARD AND AMENDMENTS ISSUED**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015, except for the new and amended standards and interpretation made in the following which are effective for annual periods beginning on or after 1 January 2016:

Disclosure initiative (Amendments to IAS 1)

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

Annual improvements to IFRSs 2012 – 2014

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

IFRS 1 – "First time adoption of IFRS": the amendment clarifies that a first time adopter is permitted, but not required, to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 - "Share-based payments", amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

IFRS 3 – "Business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations": the amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 - "Financial Instruments: Disclosures", the amendment clarifies whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
For the nine month period ended 30 September 2016

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**STANDARD AND AMENDMENTS ISSUED (continued)**

IFRS 8 – “Operating segments” The amendments are applied retrospectively and clarifies that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’;

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 - “Fair value measurement” The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable)

IAS 16 – “Property plant and equipment” The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 19 – “Employee Benefits” is amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 24 – “related party disclosures”– The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 34 – “Interim Financial Reporting” is amended to clarify the meaning of ‘elsewhere in the interim report’ and requires a cross-reference.

IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

**STANDARDS ISSUED BUT NOT YET EFFECTIVE**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

The following other new or amended standards are not expected to have significant impact on the financial statements and the Company has chosen not to early adopt the following standards:

IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)

IFRS 16 – Leases (effective on or after January 1, 2019)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

5 BANK BALANCES AND CASH

	30 September 2016 (Unaudited)		31 December 2015 (Audited)	
	Takaful operations (SR'000)	Shareholders' operations (SR'000)	Takaful operations (SR'000)	Shareholders' operations (SR'000)
Cash in hand and at banks	55,731	6,772	74,055	24,799
Cash in hand and at banks (statutory deposit income)	-	908	-	908
	<u>55,731</u>	<u>7,680</u>	<u>74,055</u>	<u>25,707</u>
Murabaha deposits	115,000	45,000	100,000	50,000
	<u>115,000</u>	<u>45,000</u>	<u>100,000</u>	<u>50,000</u>
Cash and cash equivalents in the statements of cash flows	170,731	52,680	174,055	75,707
	<u>170,731</u>	<u>52,680</u>	<u>174,055</u>	<u>75,707</u>
Deposits against letters of guarantee (a)	12,550	-	14,547	-
	<u>12,550</u>	<u>-</u>	<u>14,547</u>	<u>-</u>
	<u>183,281</u>	<u>52,680</u>	<u>188,602</u>	<u>75,707</u>

Murabaha deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on murabaha deposits at 30 September 2016 is 3.06% per annum (31 December 2015: 2.42% per annum).

Bank balances and murabaha deposits are placed with counterparties with investment grade credit ratings, as rated by international rating agencies.

The carrying values of murabaha deposits and bank balances approximate their fair value at the reporting date.

(a) Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favour of the Company's service providers (note 12). As these cannot be withdrawn before the end of the guarantee period, these are restricted in nature.



AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

**6 CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE, NET**

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders		
- External policyholders	107,405	91,347
- Related parties (note 9(a))	225,180	194,901
<b>Gross contributions receivable</b>	<b>332,585</b>	<b>286,248</b>
Re-takaful balances receivable	10,445	3,827
	343,030	290,075
Allowance for doubtful receivables	(32,328)	(28,332)
	<b>310,702</b>	<b>261,743</b>

Allowance for doubtful receivables includes provision of SR 2,558 thousand (2015: SR 6,308 thousand) against receivable from related parties.

The movement in allowances for doubtful receivables for the year was as follows:

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	28,332	15,368
Charge for the period / year	3,996	13,208
Written-off during the period / year	-	(244)
Balance	<b>32,328</b>	<b>28,332</b>

**7 STATUTORY DEPOSIT**

Statutory deposit amounting to SR 40 million (31 December 2015: SR 40 million) represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

**8 INVESTMENTS**

Investments are classified as set out below:

*(i) TAKAFUL OPERATIONS*

**(a) Investments Held to Maturity (“HTM”)**

HTM amounting to SR 730 million (31 December 2015: 330 million) comprise Murabaha deposits with original maturities of more than three months. For fair value hierarchy, for disclosure purposes, all investments held to maturity are classified as level 3. The fair value of these investments are not materially different from their carrying values.

The movement during the period / year in HTM is set out below:

	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	330,000	-
Purchased during the period / year	825,000	330,000
Maturities during the period / year	(375,000)	-
At the end of the period / year	<u>780,000</u>	<u>330,000</u>

*(b) Available for Sale Investments (“AFS”)*

AFS at the period / year end comprises investment in a commodity fund. The movement in AFS investments is set out below:

	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	6,578	19,807
Purchased during the period / year	428,000	1,702,000
Sold during the period / year	(368,715)	(1,715,218)
Net change in fair values during the period / year	<u>65,863</u> 311	<u>6,589</u> (11)
At the end of the period / year	<u>66,174</u>	<u>6,578</u>

The net accumulated unrealised gain amounting to SR 333 thousand (31 December 2015: SR 22 thousand) is presented within Takaful operations' surplus.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS

(a) Investments Held to Maturity ("HTM")

HTM amounting to SR 305 million (31 December 2015: SR 190 million) comprise Murabaha deposits with original maturities of more than three months. For fair value hierarchy, for disclosure purposes, all investments held to maturity are classified as level 3. The fair value of these investments are not materially different from their carrying values.

The movement during the period / year in HTM is set out below:

	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	190,000	108,808
Purchased during the period / year	520,000	250,000
Maturities during the period / year	(405,000)	(168,808)
At the end of the period / year	<u>305,000</u>	<u>190,000</u>

(b) Available for sale investments ("AFS")

AFS investments comprises investment in a commodity fund and equity investments in an unquoted company.

The movement during the period / year in AFS is set out below:

	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	78,304	19,794
Purchased during the period / year	45,000	713,000
Sold during the period / year	(102,386)	(654,700)
Net change in fair values during the period / year	<u>20,918</u> (55)	<u>78,094</u> 210
At the end of the period / year	<u>20,863</u>	<u>78,304</u>

AFS investments as at 30 September 2016 includes an investment amounting to SR 1.9 million (31 December 2015: SR 1.9 million) in an unquoted company, registered in the Kingdom of Saudi Arabia. As there is no quoted price available, this investment has been valued at cost. Management is of the opinion that the fair value of this investment is not materially different from its carrying value.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS (continued)

(c) Investments at fair value through income statement ("FVIS") - Trading

FVIS investments comprise a portfolio of equities listed on the Saudi Arabian Stock Exchange ("Tadawul"). The movement during the period / year in investments at FVIS is set out below:

	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	77,314	52,004
Purchased during the period / year	75,008	83,555
Sold during the period / year	(75,009)	(45,555)
	<u>77,313</u>	<u>90,004</u>
Net change in fair values during the period / year	<u>(10,255)</u>	<u>(12,690)</u>
At the end of the period / year	<u><u>67,058</u></u>	<u><u>77,314</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES

a) *Transactions and balances with related parties:*

Related parties represent major shareholders, directors and key management personnel of the Company, and companies which are principally owned by the shareholders and any other entities controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

Following are the details of significant related party transactions during the nine month periods ended 30 September 2016 and 2015 and balances as at 30 September 2016 and 31 December 2015:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions For the nine month period ended</i>		<i>Balance as at</i>	
		<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>30 September 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>30 September 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
Al Rajhi Insurance Company B.S.C.(c) (shareholder)	Reimbursement from / (expenses paid) on behalf of related party				
	a) takaful operations	1,867	-	1,711	(156)
	b) shareholders' operations	-	-	-	(13)
Al Rajhi Bank (shareholder)	Contribution - policies written	861,659	677,590	182,315	160,041
				182,315	160,041
Affiliates	Contribution - policies written	47,953	56,684	42,865	34,860
				42,865	34,860
	<b>Contributions receivable (note 6)</b>			<b>225,180</b>	<b>194,901</b>
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	659,611	391,973	406,148	242,721
Al Rajhi Bank (shareholder)	Bank balance (Takaful operations)			38,169	71,504
	Bank balance (Shareholders' operations)			6,648	24,673
	<b>Bank balances</b>			<b>44,817</b>	<b>96,177</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Nature of transaction	Amounts of transactions For the nine month period ended		Balance as at	
		30 September 2016 (Unaudited) SR'000	30 September 2015 (Unaudited) SR'000	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Al Rajhi Capital (Affiliate)	Available for sale investments managed by the affiliate				
	a) Takaful operations			66,174	6,578
	b) Shareholders' operations			18,940	76,381
				<u>85,114</u>	<u>82,959</u>
Al Rajhi Capital (Affiliate)	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	1,686	2,861		
	b) Shareholders' operations	614	1,149		
		<u>2,300</u>	<u>4,010</u>		
Al Rajhi Bank (shareholder)	Investment in shares of Al Rajhi Bank			10,652	10,039
Al Rajhi Takaful Agency (Subsidiary of shareholders)	Commissions	4,713	3,049	(1,180)	14

b) Compensation of key management personnel:

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	For the nine month period ended	
	30 September 2016 (Unaudited) SR'000	30 September 2015 (Unaudited) SR'000
Salaries and benefits of key management personnel	4,005	4,251
Shariah committee remuneration	181	180
	<u>4,186</u>	<u>4,431</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

10 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. Information disclosed below is based on current reporting to the Chief Operating Decision Maker, the CEO. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include takaful operations' bank balances and cash, due from shareholders' operations, Contributions and re-takaful balances receivable, net and available for sale investments. Accordingly, they are included in unallocated assets.

Segment liabilities do not include takaful operations' payables, accruals and other liabilities, amounts due to related parties, management fee payable and re-takaful balances payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to the CEO under the related segments and are monitored on a centralised basis.

For the three month period ended 30 September 2016  
(Unaudited)

<i>Operating segments</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	<i>Total</i>
	<i>SR'000</i>				
<b>Gross contributions written</b>	<b>30,539</b>	<b>361,499</b>	<b>34,485</b>	<b>7,135</b>	<b>433,658</b>
<b>Net contributions written</b>	<b>11,515</b>	<b>358,413</b>	<b>35,820</b>	<b>4,722</b>	<b>410,470</b>
Net contributions earned	3,310	347,687	51,521	4,719	407,237
Policy fee and other income	23	1,535	-	82	1,640
Re-takaful commission income	2,498	402	-	-	2,900
<b>Total underwriting revenue</b>	<b>5,831</b>	<b>349,624</b>	<b>51,521</b>	<b>4,801</b>	<b>411,777</b>
Net claims incurred	(949)	(286,528)	(40,864)	(730)	(329,071)
Inspection and supervision fees	(107)	(1,791)	(517)	(36)	(2,451)
Policy acquisition costs	(1,792)	(5,648)	(3,232)	(795)	(11,467)
Change in mathematical reserve	-	-	-	(1,691)	(1,691)
Other expenses	(915)	(1,886)	(138)	(437)	(3,376)
<b>Total claims and other expenses</b>	<b>(3,763)</b>	<b>(295,853)</b>	<b>(44,751)</b>	<b>(3,689)</b>	<b>(348,056)</b>
<b>Net underwriting (deficit) / surplus</b>	<b>2,068</b>	<b>53,771</b>	<b>6,770</b>	<b>1,112</b>	<b>63,721</b>
Other income					914
Investment income					6,212
Management fee for administration of takaful operations					(33,459)
<b>Net result for the period</b>					<b>37,388</b>

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For the nine month period ended 30 September 2016

10 SEGMENTAL INFORMATION (continued)

For the three month period ended 30 September 2015  
(Unaudited)

<u>Operating segments</u>	<u>General</u>	<u>Motor</u>	<u>Health</u>	<u>Protection &amp; Saving</u>	<u>Total</u>
	<i>SR'000</i>				
Gross contributions written	40,301	212,587	43,483	2,613	298,984
Net contributions written	7,788	210,142	42,783	2,132	262,845
Net contributions earned	5,210	208,379	50,640	2,024	266,253
Policy fee and other income	29	64	-	8	101
Re-takaful commission income	4,766	122	-	-	4,888
Total underwriting revenue	10,005	208,565	50,640	2,032	271,242
Net claims incurred	(979)	(160,705)	(32,384)	(73)	(194,141)
Inspection and supervision fees	(202)	(1,063)	(652)	(13)	(1,930)
Policy acquisition costs	(3,128)	(2,028)	(2,921)	(192)	(8,269)
Change in mathematical reserve	-	-	-	(1,045)	(1,045)
Other expenses	(913)	(3,037)	(2,102)	(29)	(6,081)
Total claims and other expenses	(5,222)	(166,833)	(38,059)	(1,352)	(211,466)
Net underwriting surplus	4,783	41,732	12,581	680	59,776
Investment income					994
Management fee for administration of takaful operations					(33,730)
Net result for the period					27,040



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

10 SEGMENTAL INFORMATION (continued)

<i>Operating segments</i>	<i>For the nine month period ended 30 September 2016</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
			<i>SR'000</i>		
<b>Gross contributions written</b>	<b>103,006</b>	<b>1,188,695</b>	<b>162,251</b>	<b>18,984</b>	<b>1,472,936</b>
<b>Net contributions written</b>	<b>41,779</b>	<b>1,177,653</b>	<b>163,186</b>	<b>14,430</b>	<b>1,397,048</b>
Net contributions earned	10,915	910,562	157,404	15,072	1,093,953
Policy fee and other income	82	4,586	-	165	4,833
Re-takaful commission income	8,062	1,812	-	-	9,874
<b>Total underwriting revenue</b>	<b>19,059</b>	<b>916,960</b>	<b>157,404</b>	<b>15,237</b>	<b>1,108,660</b>
Net claims incurred	(3,158)	(775,012)	(125,624)	20	(903,774)
Inspection and supervision fees	(371)	(5,872)	(2,434)	(95)	(8,772)
Policy acquisition costs	(5,138)	(15,317)	(8,291)	(2,411)	(31,157)
Change in mathematical reserve	-	-	-	(5,031)	(5,031)
Other expenses	(1,153)	(4,696)	(557)	(813)	(7,219)
<b>Total claims and other expenses</b>	<b>(9,820)</b>	<b>(800,897)</b>	<b>(136,906)</b>	<b>(8,330)</b>	<b>(955,953)</b>
<b>Net underwriting surplus</b>	<b>9,239</b>	<b>116,063</b>	<b>20,498</b>	<b>6,907</b>	<b>152,707</b>
Other income					2,620
Investment income					12,627
Management fee for administration of takaful operations					(99,127)
<b>Net result for the period</b>					<b>68,827</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
For the nine month period ended 30 September 2016

10 SEGMENTAL INFORMATION (continued)

For the nine month period ended 30 September 2015  
(Unaudited)

<i>Operating segments</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Gross contributions written	112,093	694,313	181,144	6,162	993,712
Net contributions written	28,767	687,828	180,219	5,100	901,914
Net contributions earned	16,354	568,253	148,053	4,872	737,532
Policy fee and other income	111	412	-	24	547
Re-takaful commission income	9,266	948	-	180	10,394
Total underwriting revenue	25,731	569,613	148,053	5,076	748,473
Net claims incurred	(3,745)	(449,226)	(113,323)	(255)	(566,549)
Inspection and supervision fees	(485)	(3,461)	(2,717)	(31)	(6,694)
Policy acquisition costs	(7,978)	(6,614)	(7,109)	(678)	(22,379)
Change in mathematical reserve	-	-	-	(2,440)	(2,440)
Other expenses	(912)	(3,190)	(5,014)	(157)	(9,273)
Total claims and other expenses	(13,120)	(462,491)	(128,163)	(3,561)	(607,335)
Net underwriting surplus	12,611	107,122	19,890	1,515	141,138
Investment income					3,028
Management fee for administration of takaful operations					(101,268)
Net result for the period					42,898

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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10 SEGMENTAL INFORMATION (continued)

<i>Takaful operations' assets</i>	<i>As at 30 September 2016 (Unaudited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
	<i>SR'000</i>				
Re-takaful share of outstanding claims	89,787	11,511	-	5,286	106,584
Re-takaful share of unearned contributions	75,063	2,457	-	1,073	78,593
Deferred policy acquisition costs	7,265	13,827	4,915	157	26,164
Deposit against letters of guarantee (note 5 (a))	-	11,450	1,100	-	12,550
	<u>172,115</u>	<u>39,245</u>	<u>6,015</u>	<u>6,516</u>	<u>223,891</u>
Unallocated assets					1,548,782
<b>Total assets</b>					<b>1,772,673</b>
<b>Takaful operations' liabilities</b>					
Gross outstanding claims	96,286	354,866	48,175	6,659	505,986
Gross unearned contributions	130,381	773,279	83,201	1,376	988,237
Unearned re-takaful commission income	7,442	-	-	-	7,442
	<u>234,109</u>	<u>1,128,145</u>	<u>131,376</u>	<u>8,035</u>	<u>1,501,665</u>
Unallocated liabilities and surplus					271,008
<b>Total liabilities</b>					<b>1,772,673</b>

<i>Takaful operations' assets</i>	<i>As at 31 December 2015 (Audited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
	<i>SR'000</i>				
Re-takaful share of outstanding claims	99,417	10,497	500	-	110,414
Re-takaful share of unearned contributions	70,273	1,433	-	67	71,773
Deferred policy acquisition cost	5,892	6,964	4,147	77	17,080
Deposit against letters of guarantee (note 6)	-	14,168	379	-	14,547
	<u>175,582</u>	<u>33,062</u>	<u>5,026</u>	<u>321</u>	<u>213,814</u>
Unallocated assets					995,559
<b>Total assets</b>					<b>1,209,373</b>
<b>Takaful operations' liabilities</b>					
Gross outstanding claims	103,825	209,891	45,243	1,768	360,727
Gross unearned contributions	94,726	505,165	77,419	1,012	678,322
Unearned re-takaful commission income	7,435	-	-	-	7,435
	<u>205,986</u>	<u>715,056</u>	<u>122,662</u>	<u>2,780</u>	<u>1,046,484</u>
Unallocated liabilities and surplus					162,889
<b>Total liabilities</b>					<b>1,209,373</b>

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For the nine month period ended 30 September 2016

**11 BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share for the period has been calculated by dividing the net profit for the period by the weighted average number of outstanding shares at the period end.

The weighted average number of shares have been retrospectively adjusted for prior period to reflect the bonus element of the rights issue as required by IAS 33, "Earnings per share" as follows:

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>	<i>30 September 2016</i>	<i>30 September 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Issues ordinary shares as at 1 January	40,000	40,000	40,000	20,000
Adjusted rights issue	-	-	-	15,856
Weighted average number of shares	40,000	40,000	40,000	35,856

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 1.44, which is a ratio of the theoretical ex-right price of SR17.97 and the closing price per share of SR 26 per share on 11th April, 2015, the last day on which the shares were traded before the rights issue.

**12 CONTINGENT LIABILITIES**

As at 30 September 2016, the Company's bankers have issued letters of guarantee of SR 12.5 million (2015: SR 14.5 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 5 (a)).

**13 FAIR VALUE 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 between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Investments held-to-maturity which comprise Murabaha deposits amounting to SR 730 million (Takaful Operations') and SR 305 million (Sharholders' operations) (2015: Takaful operations' SR 330 million, Shareholders' operations' SR 190 million), earn fixed rates of income and are invested for a period exceeding 3 months. Fair value of murabaha deposits is not significantly different from carrying values as on 30<sup>th</sup> September 2016.

*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 (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(i) TAKAFUL OPERATIONS

	Level 1 SR' 000	Level 2 SR' 000	Level 3 SR' 000	Total SR' 000
<i>As at 30 September 2016</i>				
Financial investments available for sale	-	66,174	-	66,174
Financial investments held to maturity	-	-	780,000	780,000
<b>Total</b>	<b>-</b>	<b>66,174</b>	<b>780,000</b>	<b>846,174</b>
<i>As at 31 December 2015</i>				
Financial investments available for sale	-	6,578	-	6,578
Financial investments held to maturity	-	-	330,000	330,000
<b>Total</b>	<b>-</b>	<b>6,578</b>	<b>330,000</b>	<b>336,578</b>

(ii) SHAREHOLDERS' OPERATIONS

	Level 1 SR' 000	Level 2 SR' 000	Level 3 SR' 000	Total SR' 000
<i>As at 30 September 2016</i>				
Financial investments available for sale	-	18,940	1,923	20,863
Financial investments held to maturity	-	-	305,000	305,000
Financial assets held as FVIS	67,058	-	-	67,058
<b>Total</b>	<b>67,058</b>	<b>18,940</b>	<b>306,923</b>	<b>392,921</b>
<i>As at 31 December 2015</i>				
Financial investments available for sale	-	76,381	1,923	78,304
Financial investments held to maturity	-	-	190,000	190,000
Financial assets held as FVIS	77,314	-	-	77,314
<b>Total</b>	<b>77,314</b>	<b>76,381</b>	<b>191,923</b>	<b>345,618</b>

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**13 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 three-month period ended 30 September 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The decrease in fair value of SR 10,255 thousand (30 September 2015: Decrease of SR 6,537 thousand) in respect of FVIS investments was recorded in the interim statement of income – shareholders' operations.

**14 COMPARATIVE FIGURES**

Certain of the prior period figures have been reclassified to conform with the current year presentation.

**15 APPROVAL OF THE FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 15 Muharram 1438H, corresponding to 16 October 2016.