
**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 2015

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
2015

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Aldar Audit Bureau

Abdullah AlBasri & Co.



Dr. Mohamed Al-Amri & Co.

Accountants & Consultants

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 September 30, 2015 and the related interim statements of income and comprehensive income - takaful and shareholders' operations for the three and nine month periods then ended, the related interim statement of changes in shareholders' equity and statements of cash flows - takaful and shareholders' operations for the nine month period 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.

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October 14, 2015 (G)
Muharram 1, 1437 (H)



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

INTERIM STATEMENT OF FINANCIAL POSITION

		30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	4	264,037	330,335
Due from shareholders' operations		203,292	204,561
Contributions receivable, net	5	184,571	102,635
Advances, prepayments and other assets		17,577	2,049
Re-takaful share of outstanding claims		157,412	85,244
Re-takaful share of unearned contributions		75,577	49,660
Re-takaful balances receivable		2,665	20,774
Investments held to maturity	7(i)(a)	250,000	-
Available for sale investments	7(i)(b)	36,210	19,807
Unit Linked Investments		3,370	1,111
Deferred policy acquisition costs		16,076	10,940
TOTAL TAKAFUL OPERATIONS' ASSETS		1,210,787	827,116
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balances and cash	4	113,512	53,428
Management fees receivable		58,065	41,051
Advances, prepayments and other assets		12,155	8,225
Investments held to maturity	7(ii)(a)	209,038	108,808
Available for sale investments	7(ii)(b)	30,965	19,794
Investments at fair value through income statement	7(ii)(c)	83,467	52,004
Statutory deposit	6	40,000	20,000
Intangible assets, net		15,434	15,072
Property and equipment, net		9,035	11,597
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		571,671	329,979
TOTAL ASSETS		1,782,458	1,157,095





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

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

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		
TAKAFUL OPERATIONS' LIABILITIES		
Gross outstanding claims	399,844	259,636
Management fees payable	58,065	41,051
Payables, accruals and other liabilities	40,357	39,852
Re-takaful balances payable	55,663	29,201
Mathematical reserves	3,549	1,102
Gross unearned contributions	637,803	447,512
Unearned re-takaful commission income	9,208	6,796
TAKAFUL OPERATIONS' SURPLUS	1,204,489	825,150
Surplus distributable to policyholders	6,223	1,933
Fair value reserve for available for sale investments	75	33
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS	1,210,787	827,116
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		
SHAREHOLDERS' OPERATIONS' LIABILITIES		
Provision for zakat	8,192	5,069
Payables, accruals and other liabilities	16,237	11,528
Due to related parties	13	-
Due to takaful operations	203,292	204,561
Employees' end of service benefits	8,229	6,777
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES	235,963	227,935
SHAREHOLDERS' EQUITY		
Share capital	400,000	200,000
Accumulated losses	(64,366)	(98,007)
Fair value reserve for available for sale investments	74	51
TOTAL SHAREHOLDERS' EQUITY	335,708	102,044
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	571,671	329,979
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	1,782,458	1,157,095

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

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 2015</i>	<i>30 September 2014</i>	<i>30 September 2015</i>	<i>30 September 2014</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	298,984	207,860	993,712	727,285
Re-takaful contributions ceded	(33,096)	(9,804)	(85,397)	(68,480)
Excess of loss	(3,043)	(1,468)	(6,401)	(4,892)
NET CONTRIBUTIONS WRITTEN	262,845	196,588	901,914	653,913
Change in unearned contributions, net	3,408	(6,853)	(164,382)	(146,285)
NET CONTRIBUTIONS EARNED	266,253	189,735	737,532	507,628
Policy fees and other income	101	155	547	629
Re-takaful commission income	4,888	3,160	10,394	8,257
TOTAL UNDERWRITING REVENUE	271,242	193,050	748,473	516,514
Gross claims paid	(158,669)	(156,433)	(510,742)	(413,160)
Re-takaful share of claims paid	6,088	8,117	12,232	45,797
NET CLAIMS PAID	(152,581)	(148,316)	(498,510)	(367,363)
Movement in outstanding claims, net	(41,560)	(10,922)	(68,039)	(41,449)
NET CLAIMS INCURRED	(194,141)	(159,238)	(566,549)	(408,812)
Inspection and supervision fees	(1,930)	(1,387)	(6,694)	(5,147)
Policy acquisition costs	(8,269)	(6,313)	(22,379)	(17,415)
Other expenses	(7,126)	(625)	(11,713)	(1,114)
Other income	-	-	-	605
TOTAL CLAIMS AND OTHER EXPENSES	(211,466)	(167,563)	(607,335)	(431,883)
NET UNDERWRITING SURPLUS	59,776	25,487	141,138	84,631
Investment income	994	716	3,028	1,671
Management fee for administration of takaful operations	(33,730)	(26,203)	(101,268)	(86,302)
Net surplus for the period	27,040	-	42,898	-
Management fee attributable to shareholders' operations	(24,336)	-	(38,608)	-
NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS	2,704	-	4,290	-

The accompanying notes 1 to 14 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 2015 SR'000</i>	<i>30 September 2014 SR'000</i>	<i>30 September 2015 SR'000</i>	<i>30 September 2014 SR'000</i>
Net surplus distributable to policyholders	2,704	-	4,290	-
<i>Other comprehensive income to be reclassified subsequently to the statement of income:</i>				
Net unrealised gain / (loss) for available for sale investments (note 7(i))	24	8	42	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,728	8	4,332	(1)





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

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

INTERIM STATEMENT OF INCOME – SHAREHOLDERS’ OPERATIONS (UNAUDITED)

	<i>For the three month period</i>		<i>For the nine month period</i>	
	<i>Ended</i>		<i>ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
<i>Note</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Management fee for administration of takaful operations	33,730	26,203	101,268	86,302
Management fee attributable to shareholders’ operations	24,336		38,608	
Dividend income	392	910	1,915	2,261
Income from investments held as fair value through income statement	(11,207)	5,902	(6,537)	9,716
Special commission income on held to maturity investments	461	659	1,629	1,654
Realised gain on sale of available for sale investments	615	136	1,149	749
TOTAL REVENUE	48,327	33,810	138,032	100,682
General and administrative expenses	(33,730)	(29,642)	(101,268)	(80,193)
INCOME BEFORE ZAKAT	14,597	4,168	36,764	20,489
Provision for zakat	(1,123)	(1,027)	(3,123)	(1,800)
NET INCOME FOR THE PERIOD	13,474	3,141	33,641	18,689
BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)	10	0.34	0.11	0.94
		0.65		

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

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2015</i>	<i>30 September 2014</i>	<i>30 September 2015</i>	<i>30 September 2014</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	13,474	3,141	33,641	18,689
<i>Other comprehensive income to be reclassified subsequently to the statement of income:</i>				
Net change in fair value of available for sale investments (note 7 (ii) (b))	9	2	23	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,483	3,143	33,664	18,691

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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 2015

	<i>Share capital</i> SR '000	<i>Accumulated losses</i> SR '000	<i>Fair value reserve for AFS investments</i> SR '000	<i>Total</i> SR '000
Balance as at 1 January 2014	200,000	(113,585)	49	86,464
Net income for the period	-	18,689	-	18,689
Other comprehensive income	-	-	2	2
Total comprehensive income for the period	-	18,689	2	18,691
Balance as at 30 September 2014	<u>200,000</u>	<u>(94,896)</u>	<u>51</u>	<u>105,155</u>
Balance as at 1 January 2015	<u>200,000</u>	<u>(98,007)</u>	<u>51</u>	<u>102,044</u>
Net income for the period	<u>200,000</u>	<u>33,641</u>	<u>-</u>	<u>233,641</u>
Other comprehensive income	<u>-</u>	<u>-</u>	<u>23</u>	<u>23</u>
Total comprehensive income for the period	<u>200,000</u>	<u>33,641</u>	<u>23</u>	<u>233,664</u>
Balance as at 30 September 2015	<u><u>400,000</u></u>	<u><u>(64,366)</u></u>	<u><u>74</u></u>	<u><u>335,708</u></u>

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

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>	
	<i>30 September</i>	<i>30 September</i>
	<i>2015</i>	<i>2014</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net surplus distributable to policyholders	4,290	-
<i>Adjustment for:</i>		
Management fee for administration of takaful operations	101,268	86,302
Management fee attributable to shareholders' operations	38,608	-
Allowance for doubtful receivables	7,158	585
Net surplus before changes in operating assets and liabilities	151,324	86,887
Changes in operating assets and liabilities:		
Due from shareholders' operations	1,269	(857)
Contributions receivable, net	(89,094)	(120,823)
Advances, prepayments and other assets	(15,528)	(5,720)
Re-takaful share of outstanding claims	(72,168)	(34,355)
Re-takaful share of unearned contributions	(25,917)	35,875
Deferred policy acquisition costs	(5,136)	(3,290)
Gross outstanding claims	140,208	75,804
Payables, accruals and other liabilities	505	18,052
Mathematical reserves	2,447	532
Re-takaful balances receivable	18,109	-
Re-takaful balances payable	26,462	(18,366)
Gross unearned contributions	190,291	110,407
Unearned re-takaful commission income	2,412	4,194
Deposit against letters of guarantee	(2,888)	4,819
Management fee paid	(122,861)	(71,772)
Net cash provided by operating activities	199,435	81,387
INVESTING ACTIVITIES		
Purchase of available for sale investments	7(i) (1,547,000)	(820,000)
Sale of available for sale investments	7(i) 1,530,639	813,829
Purchase of held to maturity investments	(250,000)	-
Purchase of Unit Linked Investments	(2,259)	(526)
Net cash used in investing activities	(268,620)	(6,697)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(69,185)	74,690
Cash and cash equivalents at the beginning of the period	318,530	166,520
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4 249,345	241,210
<i>Non - cash supplemental information:</i>		
Changes in fair value of AFS investments	42	(1)

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

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 2015</i>	<i>30 September 2014</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>Notes</i>	
OPERATING ACTIVITIES		
Income for the period before zakat	36,764	20,489
<i>Adjustments for:</i>		
Depreciation and amortisation	6,492	4,878
Management fee for administration of takaful operations	(101,268)	(86,302)
Management fee attributable to shareholders’ operations	(38,608)	-
Employees’ end of service benefits	3,628	3,371
Net gain on investments at fair value through income statement	6,537	(9,716)
	<hr/>	<hr/>
Net deficit before changes in operating assets and liabilities	(86,455)	(67,280)
Changes in operating assets and liabilities:		
Advances, prepayments and other assets	(3,930)	(2,487)
Payables, accruals and others liabilities	4,709	(404)
Due to takaful operations	(1,269)	857
Due to related parties	13	-
	<hr/>	<hr/>
Management fee received	122,861	71,772
Employees’ end of service benefits paid	(2,175)	(1,910)
	<hr/>	<hr/>
Net cash provided by / (used in) operating activities	33,754	548
INVESTING ACTIVITIES		
Property and equipment	(4,292)	(8,642)
Purchase of held to maturity investment	7(ii)(a) (170,000)	(69,770)
Maturities of held to maturity investments	7(ii)(a) 69,770	38,803
Purchase of available for sale investments	7(ii)(b) (605,000)	(264,000)
Sale of available for sale investments	7(ii)(b) 593,852	260,751
Purchase of investments at fair value through income statement	7(ii)(c) (50,428)	(29,300)
Sale of investments at fair value through income statement	7(ii)(c) 12,428	14,300
Investment in statutory deposit	(20,000)	-
	<hr/>	<hr/>
Net cash used in investing activities	(173,670)	(57,858)
FINANCING ACTIVITIES		
Increase in capital	200,000	-
	<hr/>	<hr/>
Net cash provided by financing activities	200,000	-
	<hr/>	<hr/>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	60,084	(57,310)
Cash and cash equivalents at the beginning of the period	53,428	107,130
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4 113,512	49,820
	<hr/> <hr/>	<hr/> <hr/>
<i>Non cash supplemental information:</i>		
Changes in fair value of available for sale investments	23	2
	<hr/> <hr/>	<hr/> <hr/>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine month period ended 30 September 2015

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 are prepared under the historical cost convention 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*

The Company has prepared these interim condensed financial statements in accordance with International Financial Reporting Standards (IFRS).

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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments made in the following standards which have been revised during the year 2014 and new standards effective from 1 January 2015.

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 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

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.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

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 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.

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).

IFRS 9 Financial Instruments

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.

New amendments and standards issued but not yet effective:

The relevant 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.

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 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Significant Accounting Estimates And Assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and contingent liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment of investments

The Company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (if any).

Technical reserves for insurance activities

The estimation of the ultimate liability arising from claims made under general and protection and saving insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims net of reinsurance share which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to that date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. The mathematical reserve for protection and saving insurance contracts is calculated on the basis of management assumptions that include prudent prospective external actuarial valuation method and current unit fund prices.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property, engineering and large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

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 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 to 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.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates And Assumptions (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

Fair values of financial instruments (continued)

For assets and liabilities that are recognised in the financial statements 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

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4 BANK BALANCES AND CASH

	30 September 2015 (Unaudited)		31 December 2014 (Audited)	
	Takaful operations (SR'000)	Shareholders' operations (SR'000)	Takaful operations (SR'000)	Shareholders' operations (SR'000)
Cash in hand and at banks	149,345	113,512	318,530	53,428
Murabaha deposits with original maturities of three months or less	100,000	-	-	-
Cash and cash equivalents in the statements of cash flows	249,345	113,512	318,530	53,428
Deposits against letters of guarantee (a)	14,692	-	11,805	-
	264,037	113,512	330,335	53,428

(a) Deposits against letters of guarantee comprises amounts placed with a local bank against issuance of payment guarantees in favour of the Company's service providers (note 11). As these cannot be withdrawn before the end of the guarantee period, these are restricted in nature.

5 CONTRIBUTIONS RECEIVABLE, NET

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Due from policyholders		
- External policyholders	89,716	65,474
- Related parties (note 8(a))	117,382	52,529
Gross contributions receivable	207,098	118,003
Allowance for doubtful receivables	(22,527)	(15,368)
	184,571	102,635

Allowance for doubtful receivables includes provision of SR 435 thousand (31 December 2014: SR 1,708 thousand) against receivable from related parties.

6 STATUTORY DEPOSIT

Statutory deposit amounting to SR 40 million (31 December 2014: SR 20 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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7 INVESTMENTS

Investments are classified as set out below:

(i) TAKAFUL OPERATIONS

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

HTM amounting to SR 250 million (31 December 2014: Nil) 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 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	-	-
Purchased during the period / year	250,000	-
Maturities during the period / year	-	-
At the end of the period / year	250,000	-

(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 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	19,807	15,945
Purchased during the period / year	1,547,000	1,144,000
Sold during the period / year	(1,530,639)	(1,140,120)
Net unrealised loss for the period / year	36,168 42	19,825 (18)
At the end of the period / year	36,210	19,807

The net accumulated unrealised gain amounting to SR 75 thousand (31 December 2014: SR 33 thousand) is presented within Takaful operations' surplus.

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7 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS

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

HTM amounting to SR 209 million (31 December 2014: SR 108.8 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 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	108,808	76,800
Purchased during the period / year	170,000	108,808
Maturities during the period / year	(69,770)	(76,800)
At the end of the period / year	<u>209,038</u>	<u>108,808</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 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	19,794	17,364
Purchased during the period / year	605,000	329,000
Sold during the period / year	(593,852)	(326,572)
Net change in fair values during the period / year	<u>30,942</u>	<u>19,792</u>
At the end of the period / year	<u>23</u>	<u>2</u>
At the end of the period / year	<u>30,965</u>	<u>19,794</u>

AFS investments as at 30 September 2015 includes an investment amounting to SR 1.9 million (31 December 2014: 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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7 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 2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	52,004	42,107
Purchased during the period / year	72,342	35,964
Sold during the period / year	<u>(34,342)</u>	<u>(20,964)</u>
	90,004	57,107
Net change in fair values during the period / year	<u>(6,537)</u>	<u>(5,103)</u>
At the end of the period / year	<u><u>83,467</u></u>	<u><u>52,004</u></u>

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8 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 2015 and 2014 and balances as at 30 September 2015 and 31 December 2014:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the nine month period ended</u>		<u>Balance as at</u>	
		<u>30 September 2015</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>30 September 2014</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>30 September 2015</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>31 December 2014</u> <i>(Audited)</i> <u>SR'000</u>
Al Rajhi Insurance Company B.S.C.(c) <i>(shareholder)</i>	Reimbursement from / (expenses paid) on behalf of related party				
	a) takaful operations	-	(586)	-	-
	b) shareholders' operations	-	-	-	-
Al Rajhi Bank <i>(shareholder)</i>	Contribution - policies written	677,590	468,731	74,384	30,120
Affiliate companies	Contribution - policies written	56,684	47,028	42,998	22,409
	Contributions receivable (note 5)			117,382	52,529
Al Rajhi Bank <i>(shareholder)</i>	Claims incurred and notified during the period	391,973	262,698	74,384	138,777
Al Rajhi Bank <i>(shareholder)</i>	Bank balance <i>(Takaful operations)</i>			148,936	318,124
	Bank balance <i>(Shareholders' operations)</i>			112,510	52,156
	Bank balances			261,446	370,280

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the nine month period ended 30 September 2015

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amounts of transactions for the nine month period ended</u>		<u>Balance as at</u>	
		<u>30 September 2015</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>30 September 2014</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>30 September 2015</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>31 December 2014</u> <i>(Audited)</i> <u>SR'000</u>
Al Rajhi Capital <i>(Affiliate)</i>	Available for sale investments managed by the affiliate				
	a) Takaful operations			36,210	19,807
	b) Shareholders' operations			29,042	17,871
				<u>65,252</u>	<u>37,678</u>
Al Rajhi Capital <i>(Affiliate)</i>	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	2,861	1,671		
	b) Shareholders' operations	1,149	749		
		<u>4,010</u>	<u>2,420</u>		
Al Rajhi Bank <i>(shareholder)</i>	Investment in shares of Al Rajhi Bank			8,513	4,246
Al Rajhi Takaful Agency (ARTA)	Commissions	(3,049)	(789)	29	(107)

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:

	<u>For the nine month period ended</u>	
	<u>30 September 2015</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>30 September 2014</u> <i>(Unaudited)</i> <u>SR'000</u>
Salaries and benefits of key management personnel	4,251	5,260
Shariah committee remuneration	180	160
	<u>4,431</u>	<u>5,420</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the nine month period ended 30 September 2015

9 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, net contributions receivable 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 2015
(Unaudited)

<u>Operating segments</u>	<u>General</u>	<u>Motor</u>	<u>Health</u>	<u>Protection & 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)
Other expenses	(913)	(3,037)	(2,102)	(1,074)	(7,126)
Total claims and other expenses	(5,222)	(166,833)	(38,059)	(1,352)	(211,466)
Net underwriting (deficit) / surplus	4,783	41,732	12,581	680	59,776
Investment income					994
Management fee					(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 2015

9 SEGMENTAL INFORMATION (continued)

For the three month period ended 30 September 2014
(Unaudited)

<i>Operating segments</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Gross contributions written	11,732	160,591	34,754	783	207,860
Net contributions written	2,436	159,701	33,847	604	196,588
Net contributions earned	5,569	137,986	45,525	655	189,735
Policy fee and other income	40	111	-	4	155
Re-takaful commission income	3,160	-	-	-	3,160
Total underwriting revenue	8,769	138,097	45,525	659	193,050
Net claims incurred	(2,012)	(118,772)	(38,337)	(117)	(159,238)
Inspection and supervision fees	(59)	(803)	(521)	(4)	(1,387)
Policy acquisition costs	(2,023)	(1,142)	(2,989)	(159)	(6,313)
Other expenses	-	(20)	(380)	(225)	(625)
Other income					
Total claims and other expenses	(4,094)	(120,737)	(42,227)	(505)	(167,563)
Net underwriting surplus	4,675	17,360	3,298	154	25,487
Investment income					716
Management fee					(26,203)
Net result for the period					-

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9 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 & 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	(3,746)	(449,226)	(113,323)	(255)	(566,550)
Inspection and supervision fees	(485)	(3,461)	(2,717)	(31)	(6,694)
Policy acquisition costs	(7,978)	(6,614)	(7,109)	(678)	(22,379)
Other expenses	(912)	(3,190)	(5,014)	(2,597)	(11,713)
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					(101,268)
Net result for the period					42,898

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9 SEGMENTAL INFORMATION (continued)

For the nine month period ended 30 September 2014
(Unaudited)

<i>Operating segments</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Gross contributions written	81,858	480,506	162,653	2,268	727,285
Net contributions written	15,881	476,949	159,539	1,544	653,913
Net contributions earned	14,250	374,004	117,937	1,437	507,628
Policy fee and other income	141	484	-	4	629
Re-takaful commission income	7,812	445	-	-	8,257
Total underwriting revenue	22,203	374,933	117,937	1,441	516,514
Net claims incurred	(4,505)	(324,774)	(79,265)	(268)	(408,812)
Inspection and supervision fees	(301)	(2,395)	(2,440)	(11)	(5,147)
Policy acquisition costs	(6,420)	(3,426)	(7,407)	(162)	(17,415)
Other expenses	-	(30)	(567)	(517)	(1,114)
Other income	-	-	605	-	605
Total claims and other expenses	(11,226)	(330,625)	(89,074)	(958)	(431,883)
Net underwriting surplus	10,977	44,308	28,863	483	84,631
Investment income					1,671
Management fee					(86,302)
Net result for the period					-

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

For the nine month period ended 30 September 2015

9 SEGMENTAL INFORMATION (continued)

As at 30 September 2015 (Unaudited)

<i>Takaful operations' assets</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
Re-takaful share of outstanding claims	146,878	10,332	-	202	157,412
Re-takaful share of unearned contributions	74,159	1,267	-	151	75,577
Deferred policy acquisition costs	4,300	6,224	5,496	56	16,076
Deposit against letters of guarantee (note 6)	23	14,168	501	-	14,692
	<u>225,360</u>	<u>31,991</u>	<u>5,997</u>	<u>409</u>	<u>263,757</u>
Unallocated assets					947,030
Total assets					1,210,787
Takaful operations' liabilities					
Gross outstanding claims	154,760	194,901	49,781	402	399,844
Gross unearned contributions	94,228	446,628	96,476	471	637,803
Unearned re-takaful commission income	9,208	-	-	-	9,208
	<u>258,197</u>	<u>641,529</u>	<u>146,257</u>	<u>873</u>	<u>1,046,856</u>
Unallocated liabilities and surplus					163,931
Total liabilities					1,210,787

As at 31 December 2014 (Audited)

<i>Takaful operations' assets</i>	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
Re-takaful share of outstanding claims	80,941	3,398	14,062	123	98,524
Re-takaful share of unearned contributions	50,372	873	2,089	220	53,554
Deferred policy acquisition cost	4,104	3,346	4,654	17	12,121
Deposit against letters of guarantee (note 6)	-	7,782	500	-	8,282
	<u>135,417</u>	<u>15,399</u>	<u>21,305</u>	<u>360</u>	<u>172,481</u>
Unallocated assets					666,530
Total assets					839,011
Takaful operations' liabilities					
Gross outstanding claims	86,781	152,776	39,431	392	279,380
Gross unearned contributions	57,296	307,563	88,288	913	454,060
Unearned re-takaful commission income	8,458	-	-	-	8,458
	<u>152,535</u>	<u>460,339</u>	<u>127,719</u>	<u>1,305</u>	<u>741,898</u>
Unallocated liabilities and surplus					97,113
Total liabilities					839,011

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10 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted loss 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 all prior periods 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 2015</i>	<i>30 September 2014</i>	<i>30 September 2015</i>	<i>30 September 2014</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	20,000	20,000	20,000
Adjusted rights issue	-	-	15,856	-
Effect of rights issue of shares	-	8,800	-	8,800
Weighted average number of shares	40,000	28,800	35,856	28,800

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.

11 CONTINGENT LIABILITIES

As at 30 September 2015, the Company's bankers have issued letters of guarantee of SR 14.7 million (2014: SR 11.8 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 4(a)).

12 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 of Murabaha deposits amounting to SR 209 million (2014: SR 108.8 million) of Shareholders operations and SR 250 million (2014: Nil) of Takaful operations, earn fixed rates of income and are invested for a period exceeding 3 months. Fair value of murabaha deposits is not significantly different from the carrying values as on 30 September 2015.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the nine month period ended 30 September 2015

12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> SR' 000	<i>Level 2</i> SR' 000	<i>Level 3</i> SR' 000	<i>Total</i> SR' 000
<i>As at 30 September 2015</i>				
Financial investments available for sale (Takaful operations)	-	36,210	-	36,210
Financial assets held as FVIS (Shareholders' operations)	83,467	-	-	83,467
Financial investments available for sale (Shareholders' operations)	-	29,042	-	29,042
Total	83,467	65,252	-	148,719
<i>As at 31 December 2014</i>				
Financial investments available for sale (Takaful operations)	-	22,115	-	22,115
Financial assets held as FVIS (Shareholders' operations)	66,823	-	-	66,823
Financial investments available for sale (Shareholders' operations)	-	18,691	-	18,691
Total	66,823	40,806	-	107,629

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 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value decrease of SR 6,537 thousand (30 September 2014: SR 9,716 thousand) in respect of FVIS investments was recorded in the interim statement of income – shareholders' operations.

13 COMPARATIVE FIGURES

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

14 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 1 Muharram 1436H, corresponding to 14 October 2015.