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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
LIMITED REVIEW REPORT**

**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2013**

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT  
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2013

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**ERNST & YOUNG**



**KPMG Al Fozan & Al Sadhan**

**LIMITED REVIEW REPORT 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 June 2013 and the related interim statements of income and comprehensive income - takaful and shareholders' operations for the three and six month periods then ended and the interim statements of changes in shareholders' equity and cash flows - takaful and shareholders' operations for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our 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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08 Ramadan 1434H  
(16 July 2013)



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

INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
	Notes		
<b>TAKAFUL OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	90,410	50,413
Due from shareholders' operations		204,377	202,867
Contributions receivable, net	7	154,584	111,296
Available for sale (AFS) investments	9(i)	14,685	30,200
Re-takaful share of outstanding claims		70,243	40,898
Re-takaful share of unearned contributions		96,786	76,239
Deferred policy acquisition costs		9,957	10,876
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>641,042</b>	<b>522,789</b>
<b>SHAREHOLDERS' OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	116,661	109,740
Amount due from related parties	10(a)	-	1,274
Management fees receivable		9,139	18,866
Investments at fair value through income statement (FVIS)	9(ii)(c)	37,820	31,918
Available for sale (AFS) investments	9(ii)(b)	17,158	2,572
Investments held to maturity (HTM)	9(ii)(a)	74,710	112,710
Advances, prepayments and other assets		14,638	11,409
Statutory deposit	8	20,000	20,000
Property and equipment, net		18,059	17,415
<b>TOTAL SHAREHOLDERS' OPERATIONS' ASSETS</b>		<b>308,185</b>	<b>325,904</b>
<b>TOTAL ASSETS</b>		<b>949,227</b>	<b>848,693</b>

The accompanying notes 1 to 17 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)**

		<b>30 June 2013 (Unaudited) SR'000</b>	<b>31 December 2012 (Audited) SR'000</b>
	<i>Notes</i>		
<b>TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>TAKAFUL OPERATIONS' LIABILITIES</b>			
Gross outstanding claims		159,716	119,263
Amount due to related parties	10(a)	-	927
Management fees payable		9,139	18,866
Payables, accruals and other liabilities		29,095	30,597
Re-takaful balances payable		76,799	66,500
Gross unearned contributions		362,366	280,565
Unearned re-takaful commission income		3,875	5,967
		<u>640,990</u>	<u>522,685</u>
<b>TAKAFUL OPERATIONS' SURPLUS</b>			
Fair value reserve for AFS investments	9(i)	52	104
		<u>641,042</u>	<u>522,789</u>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES &amp; SURPLUS</b>			
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES</b>			
Provision for zakat		1,919	1,368
Payables, accruals and other liabilities		7,338	9,455
Due to takaful operations		204,377	202,867
Employees' end of service benefits		4,105	3,455
		<u>217,739</u>	<u>217,145</u>
<b>TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000	200,000
Accumulated losses		(109,598)	(91,241)
Fair value reserve for AFS investments	9(ii)(b)	44	-
		<u>90,446</u>	<u>108,759</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>			
<b>TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>			
		<u>308,185</u>	<u>325,904</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
		<u>949,227</u>	<u>848,693</u>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT INCOME – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	172,897	158,229	381,165	320,671
Re-takaful contributions ceded	(32,595)	(60,031)	(83,100)	(110,510)
Excess of loss	(567)	(459)	(1,127)	(1,367)
<b>NET CONTRIBUTIONS WRITTEN</b>	<b>139,735</b>	<b>97,739</b>	<b>296,938</b>	<b>208,794</b>
Change in unearned contributions, net	(17,224)	(662)	(61,253)	(16,520)
<b>NET CONTRIBUTIONS EARNED</b>	<b>122,511</b>	<b>97,077</b>	<b>235,685</b>	<b>192,274</b>
Policy fees and other income	271	496	555	765
Re-takaful commission income	4,807	6,028	8,356	7,644
<b>TOTAL UNDERWRITING REVENUE</b>	<b>127,589</b>	<b>103,601</b>	<b>244,596</b>	<b>200,683</b>
Gross claims paid	(120,308)	(99,838)	(230,477)	(207,091)
Re-takaful share of claims paid	19,212	21,215	34,530	52,413
<b>NET CLAIMS PAID</b>	<b>(101,096)</b>	<b>(78,623)</b>	<b>(195,947)</b>	<b>(154,678)</b>
Movement in outstanding claims, net	(10,421)	(5,077)	(11,108)	(2,156)
<b>NET CLAIMS INCURRED</b>	<b>(111,517)</b>	<b>(83,700)</b>	<b>(207,055)</b>	<b>(156,834)</b>
Inspection and supervision fees	(1,325)	(987)	(2,968)	(2,334)
Policy acquisition costs	(5,886)	(5,926)	(11,980)	(13,791)
Other expenses	-	(8)	(565)	(765)
Other income	4	-	1,891	-
<b>TOTAL CLAIMS AND OTHER EXPENSES</b>	<b>(118,724)</b>	<b>(90,621)</b>	<b>(220,677)</b>	<b>(173,724)</b>
<b>NET UNDERWRITING SURPLUS</b>	<b>8,865</b>	<b>12,980</b>	<b>23,919</b>	<b>26,959</b>
Investment income	274	131	538	506
Management fee	(9,139)	(13,111)	(24,457)	(27,465)
Net result for the period	-	-	-	-
Net surplus / deficit transferred to shareholders' operations	-	-	-	-
<b>NET RESULT FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes 1 to 17 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 six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net result for the period	-	-	-	-
<i><u>Other comprehensive income to be reclassified</u></i>				
<i><u>subsequently to the statement of income:</u></i>				
Net unrealized (loss) / gain for available for sale investments (note 9(i))	(16)	3	(52)	9
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>(16)</b>	<b>3</b>	<b>(52)</b>	<b>9</b>





The accompanying notes 1 to 17 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>Notes</i>	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>REVENUE</b>					
Management fee		9,139	13,111	24,457	27,465
Dividend income		899	803	1,405	1,318
Net change in fair value of investments at FVIS	9(ii)(c)	2,168	(3,063)	4,125	1,229
Special commission income on HTM investments		587	1,200	1,344	2,568
Realised gain on sale of AFS investments		340	79	543	79
<b>TOTAL REVENUE</b>		<b>13,133</b>	<b>12,130</b>	<b>31,874</b>	<b>32,659</b>
General and administrative expenses		(24,687)	(18,161)	(49,681)	(37,986)
<b>LOSS BEFORE ZAKAT</b>		<b>(11,554)</b>	<b>(6,031)</b>	<b>(17,807)</b>	<b>(5,327)</b>
Provision for zakat	11	(249)	(110)	(550)	(21)
<b>NET LOSS FOR THE PERIOD</b>		<b>(11,803)</b>	<b>(6,141)</b>	<b>(18,357)</b>	<b>(5,348)</b>
<b>BASIC AND DILUTED LOSS PER SHARE (SR)</b>	13	<b>(0.59)</b>	<b>(0.31)</b>	<b>(0.92)</b>	<b>(0.27)</b>

The accompanying notes 1 to 17 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 six month period ended</i>	
	<i>30 June 2013</i>	<i>30 June 2012</i>	<i>30 June 2013</i>	<i>30 June 2012</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net loss for the period	(11,803)	(6,141)	(18,357)	(5,348)
<i><u>Other comprehensive income to be reclassified subsequently to the statement of income:</u></i>				
Net change in fair value of available for sale investments (note 9 (ii) (b))	7	74	44	94
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(11,796)</b>	<b>(6,067)</b>	<b>(18,313)</b>	<b>(5,254)</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

For the six month period ended 30 June 2013

	Share capital SR '000	Accumulated losses SR '000	Fair value reserve for AFS investments SR '000	Total SR '000
<b>2012</b>				
Balance as at 1 January 2012	200,000	(90,664)	-	109,336
Net loss for the period	-	(5,348)	-	(5,348)
Other comprehensive income	-	-	94	94
Total comprehensive loss for the period	-	(5,348)	94	(5,254)
Balance as at 30 June 2012	200,000	(96,012)	94	104,082
<b>2013</b>				
Balance as at 1 January 2013	200,000	(91,241)	-	108,759
Net loss for the period	-	(18,357)	-	(18,357)
Other comprehensive income	-	-	44	44
Total comprehensive loss for the period	-	(18,357)	44	(18,313)
Balance as at 30 June 2013	200,000	(109,598)	44	90,446





The accompanying notes 1 to 17 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)

	Notes	For the six month period ended 30 June	
		2013 SR'000	2012 SR'000
<b>OPERATING ACTIVITIES</b>			
Net result for the period		-	-
<i>Adjustment for:</i>			
Allowance for doubtful receivables		366	736
Net surplus before changes in operating assets and liabilities		366	736
<i>Changes in operating assets and liabilities:</i>			
Due from shareholders' operations		(1,510)	(6,605)
Contributions receivable		(43,654)	(29,868)
Re-takaful share of outstanding claims		(29,345)	12,114
Amount due to related parties		(927)	7,256
Re-takaful share of unearned contributions		(20,547)	(31,192)
Deferred policy acquisition costs		919	(903)
Deposit against letters of guarantee		(4,672)	(3,093)
Amount due from related parties		-	(486)
Gross outstanding claims		40,453	(9,958)
Management fee payable		(9,727)	(27,888)
Payables, accruals and other liabilities		(1,502)	24,264
Re-takaful balances payable		10,299	37
Gross unearned contributions		81,801	47,712
Unearned re-takaful commission income		(2,092)	2,030
<b>Net cash from / (used in) operating activities</b>		<b>19,862</b>	<b>(15,844)</b>
<b>INVESTING ACTIVITIES</b>			
Maturities of held to maturity investments		-	7,000
Purchase of available for sale investments	9(i)	(132,000)	(115,000)
Sale of available for sale investments	9(i)	147,463	141,206
<b>Net cash from investing activities</b>		<b>15,463</b>	<b>33,206</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>35,325</b>	<b>17,362</b>
Cash and cash equivalents at the beginning of the period		41,885	43,900
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b>77,210</b>	<b>61,262</b>
<i>Non - cash supplemental information:</i>			
Changes in fair value of available for sale investments		52	9

The accompanying notes 1 to 17 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 six month period ended 30 June</i>	
	<i>Notes</i>	<i>2013 SR'000</i>	<i>2012 SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		(18,357)	(5,348)
<i>Adjustments for:</i>			
Depreciation		2,827	2,641
Provision for zakat		550	21
Employees' end of service benefits		650	513
Net gain on investments at FVIS		(4,125)	(918)
Net deficit before changes in operating assets and liabilities		(18,455)	(3,091)
<i>Changes in operating assets and liabilities:</i>			
Due from related parties		1,274	159
Management fee receivable		9,727	27,888
Advances, prepayments and other assets		(3,229)	2,185
Payables, accruals and others liabilities		(2,117)	(4,574)
Due to takaful operations		1,510	6,605
Net cash (used in) / from operating activities		(11,290)	29,172
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment, net		(3,470)	(7,180)
Sale of investments at FVIS	9(ii)(c)	12,505	11,097
Purchase of investments at FVIS	9(ii)(c)	(14,282)	(10,516)
Purchase of AFS investments	9(ii)(b)	(223,000)	(52,500)
Sale of AFS investments	9(ii)(b)	208,458	27,410
Maturities of investments HTM	9(ii)(a)	50,000	50,000
Purchase of investments HTM	9(ii)(a)	(12,000)	-
Net cash from investing activities		18,211	18,311
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,921</b>	<b>47,483</b>
Cash and cash equivalents at beginning of the period		109,740	1,211
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	6	<b>116,661</b>	<b>48,694</b>
<i>Non cash supplemental information:</i>			
Changes in fair value of available for sale investments		44	94





The accompanying notes 1 to 17 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)**  
30 June 2013

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**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 Company was listed on the Saudi stock market on 20 Rajab 1430H (corresponding to 13 July 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 objectives of the Company are to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. On 29 Dhul-Qi'dah 1430H (corresponding to 17 November 2009), the Company received its license from Saudi Arabian Monetary Agency ("SAMA") to transact cooperative insurance business in the Kingdom of Saudi Arabia and received product approval from SAMA on 17 January 2010.

**2 BASIS OF PREPARATION**

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale (AFS) and fair value through income statement (FVIS) investments. The Company has prepared these interim condensed financial statements in accordance with International Accounting Standard (IAS) 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 2012. In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Company's interim results may not be indicative of its annual results.

**3 BASIS OF PRESENTATION**

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company policy all general and administrative expenses of Takaful operations are charged to Shareholders' operations.

**4 FUNCTIONAL AND PRESENTATION CURRENCY**

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR'000).

**5 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of interim condensed financial statements are consistent with those used in the Company's audited financial statements for the year ended 31 December 2012 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed financial statements of the Company:

*IFRS 13 Fair Value Measurement*

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



AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 June 2013

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

*IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

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

*Standards issued but not yet effective*

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

*IFRS 9 Financial Instruments*

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

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Mudarib fee*

During the three month period ended 30 September 2012, the Company amended its policy of apportioning Mudarib's share of investment income to the takaful operations. Mudarib's fees are no longer charged to the takaful operations starting 1 September 2012. Mudarib's share of investment income for the comparative period ended 30 June 2012 amounting to SR 126 thousand has been included under management fees in the statement of income – takaful operations.

*Management (Wakala) fee*

The Company charges management fee on net contribution for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30%. The Company limits the management fee charge to the extent of surplus available in Statement of income of takaful operations.

**6 CASH AND CASH EQUIVALENTS**

	<i>30 June 2013 (Unaudited)</i>		<i>31 December 2012 (Audited)</i>	
	<i>Takaful operations (SR'000)</i>	<i>Shareholders' operations (SR'000)</i>	<i>Takaful operations (SR'000)</i>	<i>Shareholders' operations (SR'000)</i>
Cash in hand and at banks	77,210	116,661	41,885	59,740
Murabaha deposits with original maturities of three months or less	-	-	-	50,000
Cash and cash equivalents in the statements of cash flows	77,210	116,661	41,885	109,740
Deposit against letters of guarantee	13,200	-	8,528	-
	<u>90,410</u>	<u>116,661</u>	<u>50,413</u>	<u>109,740</u>

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 14). As these cannot be withdrawn before the end of guarantee period, these are restricted in nature.

**7 CONTRIBUTIONS RECEIVABLE, NET**

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Due from policyholders		
- External policyholders	63,172	52,297
- Related parties ((note 10(a)))	104,554	71,775
<b>Gross contributions receivable</b>	<b>167,726</b>	<b>124,072</b>
Allowance for doubtful receivables	(13,142)	(12,776)
	<u>154,584</u>	<u>111,296</u>

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**8 STATUTORY DEPOSIT**

Statutory deposit amounting to SR 20 million (31 December 2012: 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.

**9 INVESTMENTS**

Investments are classified as set out below:

**(i) TAKAFUL OPERATIONS**

Available for sale investments ("AFS")

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

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
At the beginning of the period / year	30,200	30,216
Purchased during the period / year	132,000	195,000
Sold during the period / year	(147,567)	(195,120)
	<u>14,633</u>	<u>30,096</u>
Net movement in unrealised gain	52	104
	<u>14,685</u>	<u>30,200</u>

The net unrealised gain amounting to SR 52 thousand (31 December 2012: SR 104 thousand) is presented within Takaful operations' surplus under liability section of the interim statement of financial position.

**(ii) SHAREHOLDERS' OPERATIONS**

**(a) Investments Held to maturity ("HTM")**

HTM amounting to SR 74.7 million (31 December 2012: SR 112.7 million) comprise of Murabaha deposits with original maturities of more than three months.

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

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
At the beginning of the period / year	112,710	197,175
Purchased during the period / year	12,000	112,710
Matured during the period / year	(50,000)	(197,175)
	<u>74,710</u>	<u>112,710</u>

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**9 INVESTMENTS (continued)**

**(ii) SHAREHOLDERS' OPERATIONS (continued)**

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

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

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

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
At the beginning of the period / year	2,572	2,223
Purchased during the period / year	223,000	122,700
Sold during the period / year	(208,458)	(122,351)
	<u>17,114</u>	<u>2,572</u>
Net change in fair values	44	-
	<u>17,158</u>	<u>2,572</u>
At the end of the period / year	<u>17,158</u>	<u>2,572</u>

AFS investments as at 30 June 2013 includes an investment amounting to SR 2.4 million (30 June 2012: SR 2.2 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 market value of this investment is not materially different from its carrying value.

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

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

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
At the beginning of the period / year	31,918	31,125
Purchased during the period / year	14,282	15,919
Sold during the period / year	(12,505)	(17,559)
	<u>33,695</u>	<u>29,485</u>
Net change in fair values	4,125	2,433
	<u>37,820</u>	<u>31,918</u>
At the end of the period / year	<u>37,820</u>	<u>31,918</u>

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10 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 six month period ended 30 June 2013 and 2012 and the related balances as at 30 June 2013 and 31 December 2012:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amounts of transactions</i>		<i>Balance as at</i>	
		<i>30 June 2013 (Unaudited) SR'000</i>	<i>30 June 2012 (Unaudited) SR'000</i>	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Al Rajhi Insurance Company BSC (shareholder)	Reimbursement from (expenses) paid on behalf of related party (Takaful operations)	927	(148)	-	(927)
	Reimbursement from (expenses) paid on behalf of related party (shareholders' operations)	(1,274)	(159)	-	1,274
Al Rajhi Bank (shareholder)	Contribution - policies written	217,523	154,510	70,651	32,610
Others	Contribution - policies written	18,936	57,154	33,903	39,165
	<b>Contributions receivable (note 7)</b>			<b>104,554</b>	<b>71,775</b>
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	147,949	137,736	56,299	32,567
Al Rajhi Bank (shareholder)	Bank balance (Takaful operations)			77,210	40,720
	Bank balance (Shareholders' operations)			115,628	59,165
	<b>Bank balances</b>			<b>192,838</b>	<b>99,885</b>



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**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amounts of transactions</i>		<i>Balance as at</i>	
		<i>30 June 2013 (Unaudited) SR'000</i>	<i>30 June 2012 (Unaudited) SR'000</i>	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Al Rajhi Capital (Common shareholding)	Available for sale investments managed by Al Rajhi Capital				
	a) Takaful operations			14,685	30,200
	b) Shareholders' operations			14,735	149
				<u>29,420</u>	<u>30,349</u>
Al Rajhi Capital (Common Shareholding)	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	537	295		
	b) Shareholders' operations	543	91		
		<u>1,080</u>	<u>386</u>		
Al Rajhi Bank (shareholder)	Investment in shares of Al Rajhi Bank			5,094	3,676
Al Rajhi Takaful Agency (ARTA)	Commissions	(339)	591	(559)	(220)

**b) Compensation of key management personnel:**

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

	<i>For the six month period ended</i>	
	<i>30 June 2013 SR'000 (Unaudited)</i>	<i>30 June 2012 SR'000 (Unaudited)</i>
Salaries and benefits of key management personnel	3,457	2,343
Shariah committee remuneration	220	45
	<u>3,677</u>	<u>2,388</u>

**11 PROVISION FOR ZAKAT**

The zakat charge for the period ended 30 June 2013 amounted to SR 550 thousand (30 June 2012 : SR 21 thousand).

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**12 SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, business 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. 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, amount 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 Chief Operating Decision Maker under the related segments and are monitored on a centralised basis.

<i>Operating segments</i>	<i>For the three month period ended 30 June 2013</i>			
	<i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
<b>Gross contributions written</b>	<b>15,457</b>	<b>111,494</b>	<b>45,946</b>	<b>172,897</b>
Net contributions written	1,528	111,077	27,130	139,735
<b>Net contributions earned</b>	<b>3,407</b>	<b>100,804</b>	<b>18,300</b>	<b>122,511</b>
Policy fee and other income	63	208	-	271
Re-takaful commission income	4,742	65	-	4,807
<b>Total underwriting revenue</b>	<b>8,212</b>	<b>101,077</b>	<b>18,300</b>	<b>127,589</b>
Gross claims paid	(1,014)	(92,259)	(27,035)	(120,308)
<b>Net claims incurred</b>	<b>(629)</b>	<b>(96,890)</b>	<b>(13,998)</b>	<b>(111,517)</b>
Inspection and supervision fees	(78)	(557)	(690)	(1,325)
Policy acquisition costs	(2,688)	(1,299)	(1,899)	(5,886)
Other expenses	-	(11)	-	(11)
Other income	4	-	11	15
<b>Total claims and other expenses</b>	<b>(3,391)</b>	<b>(98,757)</b>	<b>(16,576)</b>	<b>(118,724)</b>
<b>Net underwriting surplus</b>	<b>4,821</b>	<b>2,320</b>	<b>1,724</b>	<b>8,865</b>
Investment income				274
Management fee				(9,139)
<b>Net deficit for the period</b>				<b>-</b>

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**12 SEGMENTAL INFORMATION (Continued)**

<i>Operating segments</i>	<i>Three month period ended 30 June 2012 (Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR '000</i>			
Gross contributions written	50,377	88,285	19,567	158,229
Net contributions written	1,287	87,409	9,043	97,739
<b>Net contributions earned</b>	2,499	71,720	22,858	97,077
Policy fee and other income	28	468	-	496
Re-takaful commission income	5,955	73	-	6,028
<b>Total underwriting revenue</b>	8,482	72,261	22,858	103,601
Gross claims paid	(1,776)	(67,509)	(30,553)	(99,838)
<b>Net claims incurred</b>	(245)	(74,062)	(9,393)	(83,700)
Inspection and supervision fees	(252)	(441)	(294)	(987)
Policy acquisition costs	(1,212)	(2,054)	(2,660)	(5,926)
Other expenses	(76)	(29)	-	(105)
Other income	-	-	97	97
<b>Total claims and other expenses</b>	(1,785)	(76,586)	(12,250)	(90,621)
<b>Net underwriting surplus</b>	6,697	(4,325)	10,608	12,980
Investment income				131
Management fee				(13,111)
<b>Net deficit for the period</b>				-

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12 SEGMENTAL INFORMATION (Continued)

<i>Operating segments</i>	<i>For the six month period ended 30 June 2013</i>			
	<i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
<b>Gross contributions written</b>	<b>39,037</b>	<b>226,996</b>	<b>115,132</b>	<b>381,165</b>
Net contributions written	8,362	225,917	62,659	296,938
<b>Net contributions earned</b>	<b>9,533</b>	<b>192,059</b>	<b>34,093</b>	<b>235,685</b>
Policy fee and other income	118	437	-	555
Re-takaful commission income	8,226	130	-	8,356
<b>Total underwriting revenue</b>	<b>17,877</b>	<b>192,626</b>	<b>34,093</b>	<b>244,596</b>
Gross claims paid	(1,698)	(178,715)	(50,064)	(230,477)
<b>Net claims incurred</b>	<b>(1,187)</b>	<b>(184,330)</b>	<b>(21,538)</b>	<b>(207,055)</b>
Inspection and supervision fees	(196)	(1,135)	(1,637)	(2,968)
Policy acquisition costs	(5,090)	(3,936)	(2,954)	(11,980)
Other expenses	(111)	(127)	(327)	(565)
Other income	-	-	1,891	1,891
<b>Total claims and other expenses</b>	<b>(6,584)</b>	<b>(189,528)</b>	<b>(24,565)</b>	<b>(220,677)</b>
<b>Net underwriting surplus</b>	<b>11,293</b>	<b>3,098</b>	<b>9,528</b>	<b>23,919</b>
Investment income				538
Management fee				(24,457)
<b>Net deficit for the period</b>				<b>-</b>

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**12 SEGMENTAL INFORMATION (Continued)**

<i>Operating segments</i>	<i>Six month period ended 30 June 2012</i>			
	<i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR '000</i>			
Gross contributions written	69,888	168,150	82,633	320,671
Net contributions written	7,868	166,398	34,528	208,794
<b>Net contributions earned</b>	8,298	134,935	49,041	192,274
Policy fee and other income	67	698	-	765
Re-takaful commission income	7,522	122	-	7,644
<b>Total underwriting revenue</b>	15,887	135,755	49,041	200,683
Gross claims paid	(4,027)	(128,881)	(74,183)	(207,091)
<b>Net claims incurred</b>	(89)	(136,247)	(20,498)	(156,834)
Inspection and supervision fees	(349)	(841)	(1,144)	(2,334)
Policy acquisition costs	(2,839)	(5,364)	(5,588)	(13,791)
Other expenses	(167)	(401)	(197)	(765)
<b>Total claims and other expenses</b>	(3,444)	(142,853)	(27,427)	(173,724)
<b>Net underwriting surplus /(deficit)</b>	12,443	(7,098)	21,614	26,959
Investment income				506
Management fee				(27,465)
<b>Net deficit for the period</b>				-



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12 SEGMENTAL INFORMATION (Continued)

<i>Takaful operations' assets</i>	<i>As at 30 June 2013 (Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Re-takaful share of outstanding claims	44,212	3,360	22,671	70,243
Re-takaful share of unearned contributions	52,276	510	44,000	96,786
Deferred policy acquisition costs	2,361	2,836	4,760	9,957
Deposit against letters of guarantee (note 6)	-	11,800	1,400	13,200
				<u>190,186</u>
Unallocated assets				<u>450,856</u>
<b>Total assets</b>				<u><b>641,042</b></u>
<b>Takaful operations' liabilities</b>				
Gross outstanding claims	48,850	75,186	35,680	159,716
Gross unearned contributions	56,961	213,260	92,145	362,366
Unearned re-takaful commission income	3,666	209	-	3,875
				<u>525,957</u>
Unallocated liabilities and surplus				<u>115,085</u>
<b>Total liabilities</b>				<u><b>641,042</b></u>

  

<i>Takaful operations' assets</i>	<i>As at 31 December 2012 (Audited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Re-takaful share of outstanding claims	21,882	921	18,095	40,898
Re-takaful share of unearned contributions	52,535	487	23,217	76,239
Deferred policy acquisition cost	3,418	5,198	2,260	10,876
Deposit against letters of guarantee (note 6)	-	7,050	1,478	8,528
				<u>136,541</u>
Unallocated assets				<u>386,248</u>
<b>Total assets</b>				<u><b>522,789</b></u>
<b>Takaful operations' liabilities</b>				
Gross outstanding claims	25,785	65,638	27,840	119,263
Gross unearned contributions	58,390	179,380	42,795	280,565
Unearned commission income	5,833	134	-	5,967
				<u>405,795</u>
Unallocated liabilities and surplus				<u>116,994</u>
<b>Total liabilities</b>				<u><b>522,789</b></u>

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**13 BASIC AND DILUTED LOSS PER SHARE**

Basic and diluted loss per share for the six month period ended 30 June 2013 and 2012 have been computed by dividing the net loss for the period by the weighted average number of issued shares (20 million shares) for the period ended 30 June 2013 and 2012 respectively.

**14 CONTINGENT LIABILITIES**

As at 30 June 2013, the Company's bankers have issued letters of guarantee of SR 13.2 million (2012: SR 8.5 million) issued to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 6).

**15 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions.

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 74,710 thousands, earn fixed rates of commission and are invested for a period exceeding 3 months. Management is unable to calculate the fair value of Murabaha deposits.

*Determination of fair value and fair value hierarchy*

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

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

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

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

	<i>Level 1</i> <i>SR' 000</i>	<i>Level 2</i> <i>SR' 000</i>	<i>Level 3</i> <i>SR' 000</i>	<i>Total</i> <i>SR' 000</i>
Financial investments available for sale (Takaful operations)	-	14,685	-	14,685
Financial assets held as FVIS (Shareholders' operations)	37,820	-	-	37,820
Financial investments available for sale (Shareholders' operations)	-	14,735	2,423	17,158
<b>Total</b>	<b>37,820</b>	<b>29,419</b>	<b>2,423</b>	<b>69,662</b>

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

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

The fair value increase of SR 4,125 thousand in respect of FVIS investments was recorded in Statement of Income-Shareholders' Operations (30 June 2012: SR 1,229 thousand).

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**16 COMPARATIVE FIGURES**

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

**17 APPROVAL OF THE FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 8 Ramadan 1434H corresponding to 16 July 2013.