Rights Issue Prospectus

Al Rajhi Takaful

تكافل الراجحي
Al Rajhi Takaful

Al Rajhi Company for Cooperative Insurance - Al Rajhi Takaful - is a Saudi joint stock company incorporated pursuant to the Council of Ministers Resolution No. 181 dated 26 / 06 / 1429H (corresponding to 01 / 07 / 2008G) (according to the Royal Decree No. M/35, dated 27 / 06 / 1429H (corresponding to 01 / 07 /2008G) and Commercial Registration No. 1010270371.

Offering of 20,000,000 Ordinary Shares through a Rights Issue at an Offer Price of SAR 10 per Share representing an increase of SAR 200 million, or 100% of the Share Capital of the Company.

First Offering Period: from 26 / 05 / 1436H (corresponding to 17 / 03 / 2015G) to 06 / 06 / 1436H (corresponding to 26 / 03 / 2015G).

Second Offering Period: from 09 / 06 / 1436H (corresponding to 29 / 03 / 2015G) to 11 / 06 / 1436H (corresponding to 31 / 03 / 2015G).

Al Rajhi Company for Cooperative Insurance (hereinafter referred to the "Company" or "Al Rajhi Takaful") is a joint stock company incorporated pursuant to the Council of Ministers Resolution No. 181 dated 26 / 06 /1429H, (corresponding to 01 / 07 / 2008G) (according to the Royal Decree No. M/35, dated 27 / 06 /1429H (corresponding to 01 / 07 / 2008G) Commercial Registration No. 1010270371, issued in Riyadh on 05 / 07 / 1430H (corresponding to 28 / 06 / 2009G. The Company's current Share Capital is SAR 200,000,000 (two hundred million Saudi Riyals) divided into 20,000,000 (twenty million) shares with a nominal value of (SAR 10) ten Saudi Riyal per Share (each share is referred to as "Existing Share" and collectively as "Existing shares"), all of them are fully paid.

The Offering consists of the issuance of 20,000,000 Ordinary New Shares (the "Rights" or the "New Shares") at an Offer Price of SAR 10 per share ("Offer Price") to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000 divided into 40,000,000 shares with a nominal value of 10 SAR per share.

The Company's Board of Directors in its meeting held on 27 / 06 / 1435H (corresponding to 27 / 04 / 2014G) has recommended to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000, after obtaining the regulatory approvals. The Company's Extraordinary General Meeting held on 19 / 05 / 1436H (corresponding to 10 / 03 / 2015G) has approved the Board of Director's recommendation to increase the capital.

Substantial Shareholders in the Company are Al Rajhi Bank which owns 22.5% of the Company's Shares ,Al Rajhi Insurance Company Limited-Bahrain which owns 26.5% of the Company's Shares and Oman Insurance Company - UAE) which owns 6% of the Company's shares.

The Offering will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company as at the close of trading on the date of the EGM being on 19 / 05 / 1436H, (corresponding to 10 / 03 / 2015G) (the "Eligibility Date") (referred to collectively as "Registered Shareholders" and each a "Registered Shareholder"), provided that such Rights are deposited in the Registered Shareholders' accounts within two (2) days of the Eligibility Date at one Right per shareholder. Each Right grants its holder the eligibility to subscribe to one New Share at the Offer Price.

Registered Shareholders and other investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 26 / 05 / 1436H (corresponding to 17 / 03 / 2015G) until the end of Thursday 06 / 06/ 1436H (corresponding to 26 / 03 / 2015G) ("Trading Period").

The New Shares will be subscribed in two periods as follows:

(A) First Offering Period: from Tuesday 26 / 05 / 1436H (corresponding to 17 / 03 / 2015G) to the end of Thursday 06 / 06 / 1436H (corresponding to 26 / 03 / 2015G) (the First Offering Period), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights..

(B) Second Offering Period: from Sunday 09 / 06 / 1436H (corresponding to 29 / 03 / 2015G) until the end of Tuesday 11 / 06 / 1436H (corresponding to 31 / 03 / 2015G). ("Second Offering Period"), during which all rights holders whether those Registered Shareholders or other investors (institutional and individuals) who have purchased the rights during Trading Period (collectively are referred to as "Eligible Persons" and individually as "Eligible Person", are allowed to exercise their subscription right, while the rights cannot be traded in this period.

Subscription applications are submitted in both periods at any branch of the Receiving Agents ("Receiving Agents") described on page 1 of this Prospectus.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 am of 16 / 06 / 1436H, corresponding to 05 / 04 / 2015G until 10:00 am of the next day of 17 / 06 / 1436H, corresponding to 06 / 04 / 2015G. This offering will be referred to as the "Rump Offering". The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares (the "Fractional Shares") will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares and the Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than 27 / 06 / 1436H, corresponding to 16 / 04 / 2015G.

In the case that there are Rump Shares not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, who will purchase the same at the Offer Price (please see section "Subscription Terms and Conditions"). After the completion of the Offering, the Company's Share Capital will become SAR 400,000,000 (Four Million Saudi Riyals) and the number of the Company's Shares will be 40 million shares. The net proceeds of the Offering will be utilized to meet the Company's financial solvency requirements and finance insurance operations expansion plans by increasing the Company's market share through opening new branches and buying a land and building a new head office on it (Please see section "Use of Proceeds"). The final allocation process will be announced no later than 19 / 06 / 1436H) corresponding to 08 / 04 / 2015G ("Allocation date") (see "Allocation" section)

The Company has only one class of Shares and no shareholder will have any preferential voting rights. The New Shares will be fully paid and rank identically with the existing Shares. Each Share entitles its holder to one vote and each shareholder ("Shareholder") with at least twenty (20) Shares has the right to attend and vote at the general assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, effective the first day of subscription period and following financial years (Please see section "Dividend Policy".

The Company listed 20,000,000 shares on 21 / 07 / 1430H corresponding to 13 / 07 / 2009G on Tadawul (Saudi Stock Exchange). The Founding Shareholders subscribed for 70% of the Company's Share Capital while the remaining 30% had been offered through an IPO.

Currently, the Company's Existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for the admission and Listing of the New Shares on the Exchange. Approval of this Prospectus has been granted and all supporting documents requested by the CMA have been completed. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and refund of the excess amounts (see section "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the Shares. Takaful has submitted an application to CMA for admission and listing and all requirements have been met

The "Important Notice" and "Risk Factors" sections of this Prospectus should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby

Financial Advisor

A F G مجموعة الدخيل المالية ALDUKHEIL FINANCIAL GROUP

Lead Manager

السعودي الهولندي المالية Saudi Hollandi Capital

Receiving Agents

البنك السعودي الفرنسي Banque Saudi Fransi

بنك الرياض riyad bank

مصرف الراجحي Al Rajhi Bank

Underwriter

الراجحي المالية Al Rajhi Capital

This Prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") issued by the CMA in the Kingdom of Saudi Arabia. The Directors, whose names appear on page 39, jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and Tadawul take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document

This unofficial English language translation of the official Arabic language prospectus is provided for nformation purposes only. The Arabic language prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus was issued on 19 / 05 / 1436H (corresponding to 10 / 03 / 2015G).

* A Complementary Prospectus has been issued regarding changing the Lead Manager to become Saudi Hollandi Capital instead of Al Dukheil Financial Group as already mentioned in the red herring Prospectus.

تكافل الراجحي
Al Rajhi Takaful

Important notice

This Prospectus ("the Prospectus") provides details of information relating to Al Rajhi Company for Cooperative Insurance ("Al Rajhi Takaful " or the "Company") and the offered Rights. When applying for the New Shares, Eligible Persons will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the head office of the Company, Lead Manager and the Receiving Agents or by visiting the Company's website: www. alrajhiTakaful .com or the site of the Financial Advisor: www.aldukheil.com.sa or CMA website: www.cma.org.sa

The Company has appointed Al Dukheil to act as the Financial Advisor ("Financial Advisor"), Lead Manager ("Lead Manager"), and Underwriter ("Underwriter"), in relation to the Offering of the Rights to increase the Company's Capital. This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority ("CMA"). The directors, whose names appear on page 36 collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The Authority and the Exchange ("Tadawul") do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Directors, Founding Shareholders, Financial Advisor, or the Company's advisors, whose names appear on pages G of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic and political factors, over which the Company has no control (Please see section 2 « risk factors») of this Prospectus. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

Subscription by the Registered and other investors (Institutions and individuals) will be during the period from Tuesday 26 / 05 / 1436H (corresponding to 17 / 03 / 2015G) to the end of Thursday 11 / 06 / 1436H (corresponding to 31 / 03 / 2015G). The New Shares will be subscribed on two periods as follows:

*A Complementary Prospectus has been issued regarding changing the Lead Manager to become Saudi Hollandi Capital instead of Al Dukheil Financial Group as already mentioned in the first Prospectus.

(A) First Offering Period: During which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

(B) Second Offering Period: from Sunday 09 / 06 /1436H (corresponding to 29 /03 / 2015G) until the end of Tuesday 11 / 06 / 1436H (corresponding to 31 / 03 / 2015G). ("Second Offering Period"), during which all rights holders whether those Registered Shareholders or other investors (institutional and individuals) who have purchased the rights during Trading Period (collectively are referred to as "Eligible Persons" and individually as "Eligible Person", are allowed to exercise their subscription right, while the rights cannot be traded in this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 am of 16 / 06 / 1436H, corresponding to 05 / 04 / 2015G until 10:00 am of the next day of 17 / 06 /1436H, corresponding to 06 / 04 / 2015G. This offering will be referred to as the "Rump Offering". The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares (the "Fractional Shares") will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares and the Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the

Eligible Persons no later than 27 / 06 / 1436H, corresponding to 16 / 04 / 2015G.

Industry and Market Data

All data contained in this Prospectus regarding the sector and market was taken from public resources available to public. Such resources include Saudi Arabian Monetary Agency and Swiss Re.

• Saudi Arabian Monetary Agency

Saudi Arabian Monetary Agency
PO Box 2992, Riyadh 11169 Saudi Arabia
Tel: +966 11 4633000
Fax: +966 11 4662966
E-mail: info@sama.gov.sa
Website: www.sama.gov.sa

Saudi Arabian Monetary Agency is the central bank of the Kingdom of Saudi Arabia, which was founded in 1372H (1952G). The main Functions of SAMA include:

- Issuance of the national currency (Saudi Riyal).
- Act as the government bank, and control of commercial banks.
- Supervision of Cooperative Insurance companies and professions related to insurance.
- Managing the country's foreign exchange reserves.
- Managing the Monetary policy to maintain stability of prices and exchange rate.
- Encourage growth of financial and banking system and to ensure its safety.

The information taken from the insurance market study report of Saudi Arabia for the year 2013 prepared by SAMA, which has been used in this Prospectus is publicly available and therefore it is not required to obtain any consent for the use of this information.

• Swiss Reinsurance Company (Swiss Re)

An international pioneer company in re-insurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. Swiss Re issues reports on insurance sector all over the world and these reports are available for public in its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

The Company has reviewed this information and believes that it is accurate and is used precisely to the purposes of this Prospectus.

Financial Information

The audited financial statements for the three previous fiscal years ended on 31 December 2011, 2012 and 2013G, and the audited financial statements for the first half ended on 30 June 2014G as well as the statements attached thereto, which have been included in this Prospectus, have been prepared in accordance with International Financial Reporting Standards. Financial statements for the year 2011G have been revised by Al-Bassam Office and KPMG Al Fozan and Al Sadhan, and for the years 2012 and 2013G by Ernst & Young and KPMG Al Fawzan and Al Sadhan. The Company issues its financial statements in Saudi Riyals.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of information provided by the Company. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the

statements made in this Prospectus are based on due care. Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission and listing of its shares in the Exchange (Tadawul), the Company becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Members of Company's Board of Directors

No.	Name	Position	Representation	Capacity	Nationality	Age	No. of shares	Direct ownership	Indirect ownership
1	Abdullah bin Suleiman Al Rajhi	Chairman of the Board	Al Rajhi Insurance Company Limited–Bahrain	Non-executive / non-independent	Saudi	56	-	0%	13,97%
2	Ahmed bin Suleiman Al Rajhi	Board Member		Non-executive / non-independent	Saudi	47	300,000	1,5%	0%
3	Saud bin Abdullah Al-Rajhi	Board Member		Non-executive / non-independent	Saudi	33	300,000	1,5%	0%
4	D.Waleed bin Abdullah Al Moqbil	Board Member	Al Rajhi Bank	Non-executive / non-independent	Saudi	39	-	0%	0%
5	Moayad bin Issa Al Qurtas	Board Member		Non-executive / non-independent	Saudi	68	1000	0,005%	0,00006%
6	Ahmed Samer bin Hamdi Al Zaeem	Board Member		Non-executive / non-independent	Saudi	50	16,000	0,08%	0,0004%
7	Abdul Aziz bin Saleh Alothaim	Board Member		Non-executive / non-independent	Saudi	55	1,000	0,005%	0%
8	Mohammed bin Omran AL Omran	Board Member		Non-executive / non-independent	Saudi	49	1000	0,005%	0,00008%

Source : Al Rajhi Takaful

Remark: No member of the Board of Directors owns 5% or more of the shares of Al Rajhi Takaful Company in accordance with Article (38a) of the Implementing Regulations of the Cooperative Insurance Companies Control Law.

Remark: Shares owned by members of the Board of Directors (1,000 shares) are for qualifying membership of the board, according to Article 68 of the Companies Regulations.

Company address

Al Rajhi Takaful Company
Al-Malaz, Platinum Center - third floor
P.O. Box 67791, Riyadh 11517
Saudi Arabia
Tel: +966 11 4752211
Fax: +966 11 4755017
Website: www.alrajhiTakaful .com.sa

First Company's Authorized Representative (1)
Waleed bin Abdullah Al Moqbil
Board Member
Al-Malaz, Platinum Center - third floor
P.O. Box 67 791, Riyadh 11517
Saudi Arabia
Tel: +966 11 2114488
Fax: +966 11 4755017
E-mail: al-mogbel@alrajhibank.com

Board Secretary
Al-Malaz, Platinum Center - third floor Abdul Aziz bin Abdul Rahman Al-Jarbo'a
P.O. Box 67791, Riyadh 11517
Saudi Arabia
Tel: +966 11 4752211 Ext 111
Fax: +966 11 4751851
E-mail: aaljarboa@alrajhiTakaful .com

Second Company's Authorized Representativ
abdul Aziz bin Mohammed Al-Sudais
Chief executive officer
Al-Malaz, Platinum Center - third floor
P.O. Box 67 791, Riyadh 11517
Saudi Arabia
Tel: +966 11 4752211
Fax: +966 11 4755017
E-mail: asedeas@alrajhiTakaful .com

Exchange
Saudi Stock Exchange (Tadawul)
Al-Taawuniya Towers 0.700 King Fahd Road
P.O. Box 60 612, Riyadh 11555
Saudi Arabia
Tel: +966 11 2181200
Fax: +966 11 2181260
Website: www.tadawul.com.sa

Principal Bankers

Al Rajhi Bank
Head Office, Olaya General Road
P.O. Box 28 Riyadh 11411
Saudi Arabia
Tel : +966 11 2116000
Fax: +966 11 4600705
E-mail: contactcenter@alrajhibank.com.sa
Website: www.alrajhibank.com.sa

Alinma Bank
Anood tower – Olaya District
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Saudi Arabia
Tel: +966 11 2185555
Fax: +966 11 2185000
E-mail: info@alinma.com
Website: www.alinma.com

Samba Financial Group
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Website: www.samba.com

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Website: www.riyadbank.com

Advisors

Financial Advisor

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Ma'ather street
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E-mail: info@aldukheil.com.sa
Website: www.aldukheil.com.sa

Lead Manager

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Website: www.shc.com.sa

Legal

Mohammed Ibrahim Al Amar Office for Legal Consulting (in collaboration with the King & Spalding)
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Fax: +966 11 2110033
E-mail: nissa@kslaw.com
Website: www.kslaw.com

Underwriter

الراجحي المالية
Al Rajhi Capital

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Fax: +966 11 2119299
E-mail: customerservice@alrajhi-capital.com
Website: www.alrajhi-capital.com

Reporting Accountants

EY
Building a better working world

Ernst & Young
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Fax: +966 11 2734730
E-mail: riyadh@sa.ey.com
Website: www.ey.com

كي بي ام جي الفوزان والسدحان
KPMG

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KPMG Tower, Saladin Road
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Saudi Arabia
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Fax: +966 11 8748600
E-mail: marketingsa@kpmg.com
Website: www.kpmg.com/sa

البسام
محاسبون قانونيون وإستشاريون

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Tel: +966 12 6522703
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Tel: +966 11 8600 - 288
Fax: +966 11 8601 - 288
E-mail: mpierce@deloitte.com
Website: www.deloitte.com

Actuary Expert

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Receiving Agents

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Website: www.alrajhibank.com.sa

Riyadh Bank
King Abdul Aziz Road
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Saudi Arabia
Tel: +966 11 4013030
Fax: +966 11 4042707
E-mail: customercare@riyadbank.com
Website: www.riyadbank.com

Banque Saudi Fransi
P. O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 11 4042222
Fax: +966 11404231 1
E-mail: communications@alfransi.com.sa
Website: www.alfransi.com.sa

* All of the above mentioned parties have provided their written consent to mention their names and logos and to include their information in this Prospectus. None of the above mentioned parties has withdrawn its approval up to the date of this Prospectus. Neither the advisors, nor their employees and relatives have any shares or interests of any kind in the Company as at the date of this Prospectus

Summary of the Offering

Recipients of this Prospectus must read it completely before they take their decision to invest in the offered shares hereunder.

Company	Al Rajhi Company for Cooperative Insurance - Al-Rajhi Takaful, a Saudi joint stock company established by Royal Decree No. M/35 dated 26 / 06 /1429H (01 / 07 / 2008G) The Company operates under Commercial Registration No. 1010270371 issued from the city of Riyadh on 07 / 05/ 1430H (28 / 06 / 2009G) and insurance business license from the Saudi Arabia Monetary Agency No. (TMN 22 / 112009) dated 29 / 11 / 1430H (corresponding to 16 / 11 / 2009G).
Summary of Company's activity	In accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, and other regulations and rules in force in Saudi Arabia, Al Rajhi Takaful Company practices cooperative insurance business consistent with the Islamic legislation, including reinsurance, agency, representation and correspondences. The Company has the right to perform all procedures that need to be undertaken to achieve its objectives both in the business of insurance and investment of its monies and has the right to possess the immovable properties and its funds or sell, replace or lease them whether by itself or by other companies it incorporates, or in cooperation with other parties.
Magor shareholders	

Name	Number of Shares	Ownership Ratio Before Subscription
Al Rajhi Investment Banking Company (Al Rajhi Bank)-	4,500,000	22,5%
Al Rajhi Insurance Company, Ltd, Bahrain, a joint stock company	5,300,000	26,5%
Oman Insurance Company, UAE, a joint stock company	1,200,000	6%

Current Capital	200,000,000 SR
Total number of Outstanding and issued shares	20,000,000 ordinary shares fully paid
Nominal value	10 SR per share
Total number of offered Shares	20,000,000 shares
Ratio of capital increase	100%
Offer Price	SAR 10 per share to be fully paid upon subscription
Total Offering Proceeds	SAR 200,000,000
Capital after increase	SAR 400,000,000

Nature of subscription	Rights Issue
Total shares after Offering	40,000,000 shares
Use of Offering Proceeds	Net Offering Proceeds are expected to be SAR 195 million after deduction of Offering expenses. The Company intends to use Offering Proceeds in boosting the solvency margin and the finance of future plans in order to support its activities via opening new branches, in addition to purchasing plot of land to build its new headquarter. The total cost of these plans is approximately SAR 195 million (please see "use of Offering Proceeds" section in this Prospectus). The expected total costs will be covered in full via the offering proceeds. The capital of the Company will be increased from SAR 200,000,000 to SAR400,000,000, an increase of SAR 200,000,000.
Number of Underwritten Shares	20 million Ordinary Shares
Value of Underwritten Shares	SAR 200 million
Adjusted Price	The Company's Share Value in Tadawul was adjusted to be (SAR 27.13) per share at the close of trading on the day of the EGM and after shareholders' approval of Capital increase. This represents a reduction of SAR 17.12 in the share value.
Offering costs	SAR 5,000,000
Net proceeds of the Offering after deduction of offering expenses	SAR 195,000,000
Eligibility Date	The end of extraordinary General Assembly meeting which votes on the proposed increased in the Company's capital according to the recommendation of the Board of Directors on 19 / 05 /1436H (corresponding to 10 / 03 / 2015G).
Date of allocation	Shares will be allocated on 19 / 06 / 1436H, corresponding to 08 / 04 / 2015G.
Registered Shareholders	The shareholders registered in the Company's records at the end of extraordinary General Assembly meeting.
Strategic partners	Al Rajhi Bank and Al Rajhi Insurance Company Limited - Bahrain, whereas the Company relies significantly in its revenues on marketing its products to Al Rajhi Bank that owns 22.5% of the shares of the Company, and Al Rajhi Insurance Company Limited -Bahrain, which owns 26.5% of the shares of Al Rajhi Takaful Company.
Rights Issue	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights will be deposited within two days after the date of the EGM. The Rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts

New Shares	The shares issued for registered shareholder's subscription
Rights Issue Ratio	One Right for every 1 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's existing shares.
Issued rights	Twenty million (20,000,000) Rights
First Offering Period	Starts from 26 / 05 /1436H (corresponding to 17 / 03 /2015G) to 06 / 06 / 1436H (corresponding to 26 / 03 /2015G), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. This phase coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.
Trading Period	Starts on 26 / 05 / 1436H, (corresponding to 17 / 03 / 2015G) and continues to 06 / 06 / 1436H corresponding to 26 / 03 / 2015G, during which Registered Shareholders and other investors (individuals or institutions) can trade rights.
Second Offering Period	Starting from Sunday 09 /06 /1436H (corresponding to 29 / 03 / 2015G) to Tuesday 11 / 06 / 1436H (corresponding to 31 / 3 / 2015G), during which all rights holders whether those Registered Shareholders or other investors (institutional and individuals) who have purchased the rights during Trading Period are allowed to exercise their subscription right. The rights cannot be traded in this period.
Subscription Procedure	Eligible Shareholders who wish to subscribe for the new offered shares shall complete the subscription application form and submit it to the branches of the Receiving Agents during business hours of the offering Period. Subscription may be made through Internet, phone banking or ATMs of the receiving banks that provide any of such services provided that: Eligible Shareholders should have a valid banking account with a Receiving Agent and no amendment has been introduced to data related to the subscriber unless this amendment has been communicated to and approved by the Receiving Agent.
Rump Shares	The New Shares which were not subscribed for during the First and the Second Offering Periods.
Rump Offering	The Rump Shares will be offered to a number of Institutional Investors ("Institutional Investors") provided that such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on Sunday 16 / 06 / 1436H (corresponding to 05 / 04 / 2015G) until the following day at 10:00 am on 17 / 06 / 1436H (corresponding to 06 / 04 / 2015G). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.

Eligible Persons	All holders of Rights of Registered Shareholders or other investors (individuals or institutions) who have purchased the Rights during Trading Period.
Listing and trading in the Rights	"Tadawul" is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company's Rights Issue (separate from the Company's trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the Rights: • Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares. • Selling the Rights or a part thereof through the Exchange. • Purchasing additional Rights through the Exchange. • Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. In that case, those shares will be offered in the rump offering period as a result of from not exercising the Rights. Other investors (institutional and individuals) may, during the Trading Period, purchase and sell Rights through the Exchange and (provided the Rights are held until the end of the First Offering Period) may exercise such Rights to subscribe for New Shares, only during the Second Offering Period. The "Tadawul" system will cancel the Company's Rights Issue symbol on the Tadawul screen after the end of the Trading Period.
Indicative Value of the Right	The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price. Tadawul will continuously calculate and publish the indicative value of a Right during the First Offering Period on its website with 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.
Right Trading Price	The price at which the Right is traded. This price is set through the market supply and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
Exercising the Issued Rights	Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Agents' branches or by subscribing electronically through the Receiving Agents offering such services to Applicants. Eligible Persons may exercise their Rights as follows: - During the First Offering Period, only Registered Shareholders may exercise their Rights to subscribe for the New Shares up to the Number of Rights deposited in their accounts after the EGM. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

	- During the Second Offering Period, all Rights' holders, whether Registered Shareholders or other investors (Institutions and Individuals) who have purchased the Rights during the trading period are allowed to exercise their right for subscription.
Public	Other investors (Institutions and Individuals) other than the following: (1) affiliates of the issuer; (2) substantial shareholders of the issuer; (3) directors and senior executives of the issuer; (4) directors and senior executives of affiliates of the issuer; (5) directors and senior executives of substantial shareholders of the issuer; (6) any relative of persons described in the above paragraphs; (7) any persons act together via a mutual agreement and collectively hold (5%) or more of the category of shares to be listed.
Shares allocation	New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons no later than 27 / 06 /1436H (corresponding to 16 / 04 / 2015G).
Paying Amount of compensation (if any)	Compensation Amounts will be paid to shareholders who have not subscribe fully or partially in the rights offering (if any) no later than Thursday 27 / 06 / 1436H (corresponding to 16 / 04 / 2015G). (See section "Subscription Terms and Conditions")
Dividends	Shares issued for subscription deserve any dividends announced by the company from the date of their issuance (see "Dividends distribution policy") section.
Voting right	All Company's Shares are of the same category. No share shall grant its holder any preferential rights. The New Shares will be fully paid and exactly equal to previously listed shares. Each share gives its holder the right of one vote, and each shareholder who possesses not less than (20) twenty shares, shall have the right to attend the general Assembly meeting and the right to vote.
Shares trading	Trading in the Rights on Tadawul is anticipated to start immediately after final allocation of shares and completion of all related formalities.
Risk Factors	There are certain risks associated with investing in the shares issued. they have been discussed in the Risk Factors section and must be studied carefully before making a decision to invest in the shares issued.
Previously listed shares	The Company has listed 20,000,000 shares on 21 / 07 / 1430H (corresponding to 13 / 07 /2009G) on the Saudi Stock Exchange (Tadawul), where the Founding Shareholders subscribed for 70% of the capital of the Company and 30% of the capital was offered for public subscription.
Shares Restrictions	The Company's shares have been listed on the Exchange (Tadawul) on 21 / 07 / 1430H (corresponding to 13 / 07 /2009G) and accordingly the

	ban on the disposal of shares period has elapsed, and there are not any restrictions on the shares of the Company. In case one of the Founding Shareholders wants to sell part or all of its shares, it must be approved by the Saudi Arabian Monetary Agency and the Capital Market Authority. Also, if Strategic Partners want to sell or purchase new rights, they must be approved by the Saudi Arabian Monetary Agency.
Terms of subscription of Rights	Subscription to the Rights shall be limited to the Registered Shareholders in the Company's share register at the closing time of trading on the day of convening the EGM on 19 / 05 /1436H (corresponding to 10 / 03 /2015G). The Company reserves the right to reject any subscription application - in whole or in part – that does not meet all subscription conditions and requirements. Application forms must be fully filled in accordance with the instructions contained in the section "Subscription Terms and Conditions". No form may be modified or withdrawn after submission. The acceptance of the form is a binding agreement between the Subscriber and the Company (please see section "Subscription Terms and Conditions").

***. Remark:** The "important notice" and "Risk factors" sections contained in this Prospectus shall be carefully read by the Eligible Shareholders before taking investment decision in the shares issued for subscription according to this Prospectus.

Substantial shareholders

Name	Number of shares	Ownership ratio Before Subscription
Al Rajhi Investment Banking Company (Al Rajhi Bank)	4,500,000	22,5%
Al Rajhi Insurance Company, Ltd, Bahrain, a joint stock company	5,300,000	26,5%
Oman Insurance Company, UAE, a joint stock company	1,200,000	6%

All Substantial shareholders, including the Strategic Partners, showed a firm desire to subscribe for the rights, and they have submitted letters of confirmation to the Company expressing their desire to do so.

Key dates for subscribers

Schedule expected for subscription	Date
EGM, setting the Eligibility Date and Eligible Shareholders	Tuesday 19 / 05 /1436H corresponding to 10 / 03 /2015G.
First Offering Period Date and Trading in Rights	From Tuesday 26 / 05 / 1436H corresponding to 17 / 03 / 2015G) to 06 / 06 /1436H) corresponding to 26 / 03 / 2015G)
Second Offering Period Date	From Sunday 09 / 06 /1436H corresponding to 29 / 03 / 2015G to 11 / 06 /1436H corresponding to 31 / 3 /2015G
Offering Period End Date and deadline for submitting Subscription Applications Forms	Tuesday 11 / 06 / 1436H corresponding to 31 / 3 /2015G
Rump Offering Period Date	From Sunday 16 / 06 / 1436H corresponding to 05 / 04 /2015G to Monday 17 / 06 /1436H corresponding to 06 / 04 / 2015G
Final Allocation Notification for all subscribers	Wednesday 19 / 06 / 1436H corresponding to 08 / 04 /2015G.
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	Amounts of compensation will be paid (if any) no later than Thursday 27 / 06 /1436H corresponding to 16 / 04 /2015G.
Date for the commencement of trading in Offer Shares	Trading in Offer Shares will commence after completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website

Remark: All dates mentioned in the schedule above are approximate. The actual dates and appointments will be announced in local newspapers of the Kingdom and through the website: www.tadawul.com.sa

Key Announcement Dates

Announcement	Announcement	Date of Announcement
Announcement regarding the EGM (Eligibility Date)	The Company	19 / 05 /1436H corresponding to10 / 03 /2015G.
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	The Company	19 / 05 /1436H corresponding to10 / 03 /2015G.
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Tadawul	20 / 05 / 1436H corresponding to11 / 03 /2015G.
Announcement regarding the New Shares subscription periods and rights trading	The Company	20 / 05 /1436H corresponding to11 / 03 / 2015G.
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	The Company	26 / 05 /1436H) corresponding to 17 / 03 /2015G
Reminder announcement of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	06 / 06 /1436H corresponding 26 / 03 /2015G.
Announcement regarding the commencement of the Second Offering Period	The Company	09 / 06 /1436H corresponding to 29 /03 /2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	The Company	11 / 06 /1436H corresponding to 31 / 03/ 2015G
Announcement regarding: • Outcome of the First and Second Offering Periods, • Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	The Company	16 / 06 /1436H corresponding to 5 / 4 / 2015G
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	The Company	19 / 06 / 1436H corresponding to 08 / 04 /2015G
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	23 / 06 /1436H corresponding to 12 / 04 /2015G
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	The Company	23 / 06 /1436H corresponding to 12 / 04 / 2015G

Remark: All the dates mentioned in the schedule above are approximate. The actual dates and appointments will be announced in local newspapers of the Kingdom and through the website: www.tadawul.com.sa

How to apply?

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First Offering Period and the Second Offering Period (as applicable) at the Receiving Agents' branches then deliver the same to any of these Receiving Agents during the Offering period. It is also possible to apply through the internet, phone or ATMs of any of the Receiving Agents that offer one or all of these services to the Applicants, under two basic conditions: (1) the Applicant "Eligible Person" shall have a bank account with the Receiving Agent which offers such services, (2) there should have been no changes in the personal information or data of the "Eligible Person" (by deleting or adding a family member) since his subscription in a recent offering, unless the Receiving Agent was notified of and approved these amendments.

Subscription Application Forms must be completed in accordance with the instructions mentioned under section "Subscription Terms and Conditions" of this Prospectus. Each applicant must agree on all paragraphs in the Subscription Application Form and fill it. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Agents. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (Please see section "Subscription Terms and Conditions" of this Prospectus).

FAQs about the Rights Issue Mechanism

What are rights?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

To whom Rights are granted?

It is an acquired right for all shareholders registered in the Company records at the end of the day of the Extraordinary General Assembly meeting.

When are they deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How registered shareholder is notified regarding the deposit of right at its accounts?

Via an advertisement in Tadawul website

How many rights the registered shareholder will have?

Number depends on the eligibility factor and the number of shares owned by the registered shareholder at the end of the Extraordinary General Assembly meeting.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases

its capital by offering 500 New Shares, its number of shares becomes 1,500. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Will the name and the code of these rights differ from the Company's name and code?

Yeas, rights will be deposited at investors' accounts and traded under new code.

What is right's value upon the commencement of exchange (trade)?

The opening price will be the difference between the closing price of the Company's shares on the previous day for the inclusion of the right and the issuance price. To illustrate, if the closing price of share in the previous day was SR 40, for example, and the issuance price is SR10, then the opening price for the rights.) (at the beginning of trading will be (SAR30), which is the difference between the two mentioned prices.

Can Registered Shareholders subscribe additional shares?

Yes, Registered Shareholders subscribe additional shares through the purchase of new rights in the trading period, and can subscribe additional shares only during the second phase of subscription.

How is offering performed?

Offering is performed by submitting subscription application forms at any of the branches of Receiving Agents previously mentioned (and during the two phases of the offering).

Are shareholders who hold shares certificates authorized for subscription and trading?

Yes, they are authorized, but after the deposit of their certificates in investment portfolios via the receiving bodies or deposit center in Tadawul and submitting the required documentations.

What happens in the case of subscription of New Shares and the sale of rights after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded

Can a shareholder who bought additional rights trade (exchange) them again?

He/she can sell them and buy other rights during trading (exchange) period.

Is it possible to sell part of its rights?

The investor can sell a portion of these rights and subscribe the remaining part.

Is it possible to subscribe during the weekend between the first and second phases of the IPO?

No, it is not.

When the shareholder can subscribe to the priority that bought during the trading period of the rights of rights?

During the second phase of the IPO only after the end of the Rights trading period.

Can Eligible Person sell a right after the expiration of the trading (exchange) period?

No. After the expiry of the trading period Eligible Person can only exercise its subscription right only. In case of non-exercise of the right, the investor may be subject to loss or decline in the value of its investment account.

What happens to the rights of priority that have not been sold or the exercise of subscription during the trading period and the two phases of the offering?

Those shares are issued for the remaining issuance period, according to the instructions of the Lead Manager pursuant to parameters set by this Prospectus.

Will there be any additional charges for rights trading operations?

Same charges applied to the shares, but without a minimum amount of the charge.

Can shareholder subscribe more than once and through more than one receiving bank?

Yes, but taking into account that the amount of subscribed shares shall not exceed the number of rights owned at the end of the trading period of the rights, whereas any increase in the amount of shares subscribed over the number of rights owned at the end of the trading period of the rights will result in the cancellation of the subscription request.

In case of owning Company's Shares through more than one investment accounts, in which account rights are deposited?

Rights will be deposited in the same account in where the Company's Shares related to the rights are deposited. For example, if a shareholder owns 1000 shares in the Company (800 shares in account (a) and 200 shares in account (b) (the sum of the rights that will be deposited is 1000 rights on the grounds that each share has (1) right, and accordingly ,800 rights will be deposited in the account (a) and 200 rights will be deposited in account (b).

In case of subscription through more than one account, where are new shares are deposited after allocation?

According to the rules of the Securities Depository Center, securities will be deposited in the newest securities portfolio of the owners of securities with the exception of Securities owned by certificates.

Summary of Basic information

This is a brief summary of the information included in the Prospectus, but it does not include all the information that may be of interest to subscribers. Recipients must read the whole of this Prospectus before making an investment decision on shares. Some terms included in this Prospectus were defined in «Definitions and Abbreviations" section.

The Company

Al Rajhi Takaful Company is a Saudi joint stock company established under Royal Decree No. M/35 and the dated 27 / 06 / 1429H (01 /07 /2008G) and the Ministerial Resolution No. 181 dated 27 / 06 /1429H (corresponding to 30 / 08 /2008G). The Company was established in the city of Riyadh under Commercial Registration No. 1010270371 issued by the city of Riyadh on 05 / 07 /1430H (28 / 06 /2009G) and the license to conduct cooperative insurance business from the Saudi Arabian Monetary Agency number (TMN 22 / 11 / 2009) on 29 / 11 /1430H (corresponding to 17 /11/ 2009G). The Company has started the insurance business as of 01 / 06 / 2009G in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations.

Al Rajhi Takaful Company, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Laws and rules in force in Saudi Arabia, practices Cooperative insurance business consistent with the Islamic legislation, including reinsurance works, agency work, representation and correspondences. The Company has the right to perform all procedures that need to be undertaken to achieve its objectives both in the business of insurance and investment of its funds, and has the right to possess the immovable properties and its funds or sell, replace or lease them whether by itself or by other companies it incorporates, or in cooperation with other bodies.

The Company's vision

«To be the best providers of Takaful solutions that enhances the quality of life for all its users.

Company's mission

«We seek to provide safety against various life risks and excel in innovating high responsive products that exceed expectations and consistent with the Shariah law. Our ambition is the satisfaction of our customers and to master the art of service. We are opening wider horizons for our investors, and our members and team are dealing with each other as one family.

The Company's strategy

By giving our customers the utmost of our attention and dedication to meet their insurance needs and exceed their expectations, Al Rajhi Takaful Company will provide a distinct first-class service to the highest levels of professionalism to promote the Company's steady growth in terms of sales and market share as well as to generate profits. It will also work to overcome the challenges in the market by harnessing all available resources, the most important is the committed team who enjoys high international experience in the insurance business, powered by the latest information management technology.

The Company also aims to activate the Takaful Insurance Law compatible with Islamic law in the Saudi market and increase penetration of Cooperative through well-studied sales channels that link our partners, the clients, institutional and individuals, with our products which they need to proceed with their businesses and lives with a high level of safety and peace of mind.

To achieve this, the company developed a number of effective strategies including products strategy, reinsurance strategy, sales and marketing strategy, investment strategy, and human resources strategy, and Shariah audit strategy.

• Product Strategy

Al Rajhi Takaful offers a wide range of Takaful products to the business sector, members of the community, its units (family) and also health care, which provides peace of mind and safety in various aspects of life. There are three main categories of products as follows:

1 - Health Takaful products

2 - General Takaful products

3 - Protection and savings Takaful products

Details of these products will be mentioned extensively later in this Prospectus, (see "the Company" section).

• Reinsurance strategy

The Company re-insures for all of its products according to three main categories previously mentioned. The method of reinsurance varies according to different kinds of insurance, ranging from a specific percentage and a fixed amount based on the agreements signed between the Company and the global reinsurance companies.

• Sales and Marketing Strategy

Products are available for two different sectors, individuals or institutional (business) sector.

Sales channels of the business sector are as follows: direct sales team at all branches of Al Rajhi Takaful brokers and Al Rajhi Bank branch network, according to the agreement with the bank.

As for the individuals sector (retail), this includes the sale of insurance products to individuals and families residing in the Kingdom. Sales channels include direct sales team in the branches of the Company, in addition to Al Rajhi Bank branches. The Company also has a marketing team that aims to increase the Company's social awareness, support the launch of new products and assist in the sale of available products, and the cooperation and participation in all educational campaigns insurance.

- **Investment Strategy**

There are three main goals arranged in order of priority of investment policy followed by the Company as follows:

- Safety and security of capital
- Liquidity
- Appropriate returns with moderate degree of risk .

All investments must be compliant with Islamic Law and with the Saudi Arabian Monetary Agency laws and in favor of the Company, with the diversification of investments category, region, and industry to reduce the risk. The investment is the responsibility of the Executive Committee of the Board of Directors provided that the investments shall include: bank deposits, shares, investment funds, real estate, property and Sukuk. There are also non-compliant investments with Islamic Law, such as: debt financing investment and financial derivatives. Other investments must be approved by SAMA and Investment Committee.

- **Information Technology Strategy**

The Company spends a lot of money and effort on the development of programs and information systems, due to the great importance of information technology in the success of the Company and strengthening its position, as the Company aims to provide all the means that will help to achieve customer satisfaction.

- **Human Resources Strategy**

The Company follows different strategies to strengthen its position among competitors. The Company focus is always to achieve the required percentage of Saudization program. It also plans to create a development program for training and support Saudi employees and equip them with the skills and experience. The Company believes that the skills and qualifications of staff are key factors to outperform competitors and success in the market. It also believes that success in the long run is based on attracting qualified staff and development and retain them. Hence, the Company invest in training of its staff as necessary.

- **Shariah Audit Strategy**

The Company is keen to comply with Shariah principle, and hence, the Company has formed a Shariah Board comprising Shariah experts to work on the Company's plan to draw about commitment to the requirements of the Shariah approach in all transactions and products, whose duty is the continuous assessment of the legitimate performance of the Company, and control all of its activities through resident control body that enjoys powers to detect irregularities that may occur in the Company's transactions, and work on the Shariah compatibility of their products and programs according to the directives of the Shariah Board,(Shariah body) and the development of procedures to monitor the legitimacy of the Company's activities in accordance with the necessary provisions of Islamic Shariah.

Competitive advantages

The Company's competitive advantages include:

- **Shariah Compliance**

What distinguishes Al Rajhi Takaful Company from some of its competitors is the existence of a specialized body to oversee the legitimacy of all the Company's operations and products to ensure their conformity with the teachings of Shariah.

- **Strategic association with Al Rajhi Bank**

The association of the Company with Al Rajhi Bank in the Shariah-compliant banking products provides a strong base to the Company's growth, as the branches of Al Rajhi Bank are widespread throughout the Kingdom. The Company offers its plans to the clients of Al Rajhi Bank pursuant to the distribution and services agreement (please see "Summary of Major Contracts" section, page 150 hereof). Takaful plans are marketed through Al Rajhi Bank by direct sales team, selling investment team, representatives of the customer service center, banking service team telephone, corporate accounts, walk-in customers, direct e-banking, EPOS , and sales via mobile devices. In addition, as mentioned, products are also

marketed through direct sales team and intermediaries, through specialized sales teams stationed in the three regional offices of the Company, as Al Rajhi Takaful targets companies through Takaful products required by businesses.

- **Market widespread distribution channels**

Al Rajhi Takaful has a wide range of channels that allow easy delivery of the Company's products to their customers. The Company has a network of more than 23 branches in the Kingdom for the sale of individual products. The future vision of the Company is to own a comprehensive and large branches of market coverage and customer service while continuing to follow the direct service of each product policy.

- **High diversity portfolio of products and high quality reinsurance agreements**

Al Rajhi Takaful provides its customers, whether individuals or institutional, a comprehensive range of Takaful plans that suit their needs and requirements, and are compatible with the provisions of Islamic Shariah. These products are formulated by people who have high expertise and ability to create unique Takaful solutions. All Takaful 's offers are concluded pursuant to contracts that illustrate the level of service provided. The Company also concludes reinsurance agreements with companies that have (AA) credit rating, and therefore, this is reflected in the quality of the portfolio in terms of the distribution of Takaful risk.

Overview on the Market

Overview of the Saudi economy

The Saudi economy is the largest among the GCC states in terms of gross domestic product (GDP). The nominal (GDP) as of 31 December 2013 was approximately SAR 2.79 trillion. Saudi vast oil reserves are the main driver on which overall economic growth depends. Since 2009G, Saudi GDP has witnessed significant growth at a CAGR of 6.4% between 2009 – 2013G (as compared to a CAGR of 3.9% in Middle East and North Africa). The growth of the Kingdom's economy depends on high oil prices (which rose from $ 61.4 in 2009 to $110. 3 per barrel in 2013G), which in turns increased the Kingdom's dependency on oil revenues, including its total revenues, what increased the ratio of revenues from 78% to 87.7% for the period 2009 - 2013. The increased oil revenues (in light of the 22,8% (CAGR) increment for the period 2009 - 2013 to SR be 727 billion), has led to achieving budget surplus that represents a driver for government spending (where the cumulative spending for the period 2009 - 2013 was approximately SR 3,88 Trillion).

The Government has focused its efforts on reducing Kingdom's dependency on the oil sector, and this is reflected by the increase in (GDP) from non-oil sector which rose from 50.2% in 2012 to 53.2% in 2013. This is due to the following reasons: (a) the reduction of the daily production of crude oil from 9.74 million barrels per day in 2012 to 9.59 million barrels per day in 2013; (b) strong growth in the gross domestic product GDP of the non-oil sector (where the private non-oil sector grew at a rate of 5.5% in 2013G, while the government sector grew by 3.7%).

Among the non-oil sectors , which have witnessed a significant growth in the Kingdom in the last decade are the banking and financial services, manufacturing, utilities, mining, monetary, telecommunications and retail sectors. In addition, the government is also focusing on the further development of trade, aviation, real estate, health care and education sectors. Moreover, banking sector loans granted o to the private have increased from 734.2 billion Riyals in 2009 to 1,123.6 billion Saudi Riyals in 2013G, and the CAGR of 11.2%.

The prospects of the Kingdom's economic progress are still strong. It is expected that GDP growth in the coming years, after government spending on infrastructure, local development and private non-oil sectors to increase. The government has announced the largest ever budget in the Kingdom's history of 885 billion Saudi Riyals for 2014G. The International Monetary Fund has estimated the real growth of GDP as 4.1% in 2014, while the nominal GDP will increase by 3.7% to reach SAR 2.9 trillion.

All this information has been extracted from the World Economic Prospects issued in April 2014 by the International Monetary Fund, the annual report of the Saudi Arabian Monetary Agency, the annual statistics of SAMA in 2013, the monthly report of the Organization of Petroleum Exporting Countries about oil market) , May 2014, and the quarterly report for the Saudi Arabian Monetary Agency for the first quarter of 2014G, a special report on Saudi Arabia Middle East Economic Digest (Meed) in February 2014G.

An overview of the insurance market in the Middle East and North Africa

The insurance industry in the Middle East and North Africa region is still in its nascent stages as compared to other world's advanced economies. Proof of this is low penetration rates and low density, low capitalization rates, and to a large extent the weakness of the legislative regulations for the insurance sector as compared with the world's most advanced economies.

The strength of life insurance market in this region rose, reaching 11 % in 2013. Turkey has the greatest impact in this rise at the rate of 16%. Also, life insurance premiums have risen in the Saudi insurance market by 4.2% after it was low in the last three years. In the markets of the United Arab Emirates and the Republic of Lebanon, life insurance premiums rose to 18%. On the other hand, premiums in the Islamic Republic of Iran fell 7.6% after a strong rise in 2012G.

In the medium term, it is expected that the life insurance market in the region will benefit from improving the economic situation of the majority of states, the increase of awareness of insurance, and the large number of people who are under the category of workforce. In the United Arab Emirates market, the increase in demand from expatriates foreign labor (as well as the increase of the population belonging to medium incomes class, will support the rise in the market. In general, the life insurance market in the region is very promising because of what was mentioned in addition to being "unsaturated" and contains a large opportunities for investment and development in the future.

Insurance sectors in the region, in particular the Middle East, are divided into two categories. The first category is characterized by a small number of companies that monopolize the sector under the previous regulatory framework and these companies are considered as of large-size locally, but medium-sized internationally. The second category is characterized by a large number of companies compared to the size of opportunities in the sector and these companies are considered small-size by international standards. Moreover, companies in this category concentrate on general insurance only and some of them provide Takaful insurance products, but this represents a small portion of their total profit. Also the companies in this category enjoy close relationships with either banks or large businesses, helping them to acquire a stake in the market. Saudi insurance sector is in the process of final stages of transition from initial market to a more advanced market where the number of companies and a variety of options become available to consumers and corporations. This development in the sector has led to the growth of total insurance premiums steadily and significantly.

Summary Financial Information

The summary of financial statements set out below is based on the audited financial statements for the past three years ended in December 31, 2011, 2012 and 2013G and for the half year ended on 30 June 2014G and the accompanying notes in each case.

Statement of financial position				
Thousands SR	Year ends on 31/12/2011	Year ends on 31/12/2012	Year ends on 31/12/2013	Year ends on 31/12/2014
Total assets of the Takaful operations	492,446	522,789	633,674	815,192
Total shareholders' assets	323,144	325,904	305,245	320,235
Total assets	815,590	848,693	938,919	1,135,427
Total liabilities and surplus of Takaful operations	492,446	522,789	633,674	815,192
Total shareholders' equity	109,336	108,759	86,464	102,012
Total shareholders' liabilities	213,808	217,145	218,781	218,223
Total shareholders' liabilities and Enquiry	323,144	325,904	305,245	320,235
Total liabilities and surplus of Takaful operations and total shareholders' liabilities and equity	815,590	848,693	938,919	1,135,427

Outcomes of operations				
Thousands SR	**Year ends on 31/12/2011**	**Year ends on 31/12/2012**	**Year ends on 31/12/2013**	**Year ends on 31/12/2014**
List of Takaful operations				
Total revenue	278,166	420,328	520,817	323,463
Total claims and other expenses	(191,724)	(348,617)	(456,764)	(264,320)
Net surplus / deficit for the year / period of Takaful operations	54,935	71,711	(456,764)	-
Net deficit transferred to shareholders' operations	121,421	0	0	-
Statement of Shareholders' operations				
Total revenues	181,023	81,624	79,703	66,872
Total expenses	(91,577)	(80,839)	(101,046)	(50,551)
Net income (loss) for the period / year	(32,905)	(577)	(22,344)	15,548
Basic and reduced Profit (loss) of the share (SR)	(1.65)	(0.03)	(1.12)	0,78

statement of Cash flow				
SAR'000	**Year ends on 31/12/2011**	**Year ends on 31/12/2012**	**Year ends on 31/12/2013**	**Year ends on 31/12/2014**
Cash flows of Takaful Operations				
Net cash from operating activities	51,827	(9,057)	110,433	101,046
Net cash used in investing activities	(37,138)	7,042	14,202	(5,954)
Decrease / increase in cash and cash equivalents	0	0	124,635	95,092
Cash and cash equivalents as at the beginning of the year / period	29,211	43,900	41,885	166,520
Cash and cash equivalents at the end of the year / period	43,900	41,885	166,520	261,612
Cash flows of shareholders operations				
Net cash from operating activities	47,350	30,563	(16,198)	(14,250)
Net cash used in investing activities	(129,118)	77,966	13,588	(35,991)
Decrease / increase in cash and cash equivalents	(81,768)	108,529	(2,610)	(50,241)
Cash and cash equivalents as at the beginning of the year / period	82,979	1,211	109,740	107,130
Cash and cash equivalents at the end of the year / period	1,211	109,740	107,130	56,889

Source: Audited Financial Statements

The main indicators of the company:

The following table summarizes the most important Financial Ratios and indicators for the Company's performance for the three years ended in December 31, 2011 , 2012 and 2013G:

SAR'000	Year ends on 31/12/2011	Year ends on 31/12/2012	Year ends on 31/12/2013	CGAR (%)
Takaful operations				
Retention index	69.9%	74.3%	80.6%	7.4%
Net earned contributions as a percentage of total acquired contributions	54.6%	67.6%	73.4%	15.9%
Loss index	71.2%	77.9%	84.5%	8.9
The Company's share of claims as a percentage of total claims paid	76.3%	75.9%	83.2%	4.4%
Commission income as a percentage of ceded contributions	5.3%	8.6%	10.2%	38.7%
Net commission Index	3.6%	3.0%	1.8%	-29.3%
Underwriting expenses index	1.1%	1.5%	1.1%	
Surplus/ Deficit of subscription as a percentage of total acquired contributions	11.1%	11.9%	9.3%	-8.5%
Net year Deficit as a percentage of total acquired contributions	-24.6%	0.0%	0.0%	
Accumulative loss index	79.6%	82.3%	87.3%	4.7%
Receivable premiums /total acquired contributions	12.5%	18.5%	10.3%	-9.2%
Collection period (days)	45.5%	67.6%	37.5%	-9.2%
Shareholders Operations				
General and administrative expenses of shareholders as a percentage of total written premiums	-18.6%	-13.5%	-14.7%	-11.1%
profits and losses of shareholders as a percentage of total written premiums	-6.7%	-0.1%	-3.2%	-9.3%

Source: derived from the audited financial statements

Summary of Risk Factors

There are a number of risks related to the issuance of Rights Offering. These risks are summarized in three main groups: Company's activities and operations-related risks, market sector related- risks, shares- related risks. These risks have been addressed in detail in section (2) "Risk Factors", which should be carefully considered before making a decision to invest in the Rights.

A- The Risks relating to the Company's activities and operations

- Risks of withdrawal of license by SAMA
- Risks of reserves inadequacy
- Risks of lack of diversity of insurance products provided by the Company
- Reinsurance risks
- Risks of management decisions
- Risks related to dependence on key personnel
- Employee's misconduct or errors
- Risks of sources of funding
- The investment risks
- Risks related to technology
- Risks of continuous dependence on the Company providing technology system
- Risks related to change of Shariah Committee's opinion
- Liquidity risks

- Credit risks
- Risks related to fluctuations of currency exchange rates
- Risks of ratings
- Risks of non-renewal of current insurance policies
- Risks related to Company's losses
- Risks of non-compliance of third parties with existing contracts
- Risks related to current status of Zakat
- Risk related to focus on less profitable activities
- Risks related to efficiency of risk management policy
- Risks related to dependence on related parties and increasing dependence on mediators and brokers
- Risks of inadequacy allocations for unreported claims
- Risks of concentration of re-insurance
- Risks related to the corporate governance
- Risks related to noncompliance with the business plan
- Risks related to protection of the trademark
- Risks related to SAMA's approval of the investment policy
- Risks related to customers concentration
- Risks related to noncompliance with the accounting standards
- Risks related to banking guarantees
- Risks related to future data

B- Risks Related to the Market and Sector

- Risks related to economic and insurance sector's circumstances
- Risks of competition
- Risks related to approval of new products and inability to renew temporary approvals
- Risks related to solvency requirements
- Risks related to reporting conditions
- Risks related to Legal Cases
- Risks related to the Company's failure in development or expansion
- Risks related to Saudization requirements
- Risks related to the Kingdom's accession to the World Trade Organization (WTO)
- Risks related to lack of cultural awareness about insurance in Saudi Arabia
- Risks of related to adherence to laws of the Council of Cooperation Health Insurance (CCHI)
- Risks related to Restrictions on the Business of Insurance Company
- Risks related to Regulations
- Risks of related to Unexpected Disasters
- Risks of Insurance Activities
- Risks of Drop in Customers' Confidence
- Risks related to Growth of Insurance Sector
- Limited historical data on the Market

C- Risks Related to Shares

- Risks of Probable Fluctuations in the Share Price
- Risks of Potential Fluctuations in the Price of the Rights
- Risks of Lack of Demand on the Company's Rights and Shares
- Risks of Speculation in the Rights.
- Risks of Potential Dilution of Ownership
- Failure to Exercise the Rights in a Timely Manner
- Risks of Dividends
- Risks of the Effective Control by the Founding Shareholders
- Risks of non-exercising or selling of Rights by Major Shareholders
- Risks of the Major Shareholders selling their Shares in the Company
- Risks of selling large number of shares
- Risks Related to Expiry of Lock-up Period
- Risks of Absence of Prior Market for the Rights
- Risks of issuing New Shares in the Future
- Risks of the of selling by Strategic Partners of their Shares or Exit from the Company

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1- Definitions and Terms

Table 1 - 1 Definitions

Term	Definition
Al Rajhi Takaful or «Company»	Al Rajhi Insurance Company - Rajhi Takaful .
New Shares	20,000,000 Ordinary Shares of the Company's shares.
Management	Al Rajhi Takaful Company management team.
Official Gazette	Umm Al-Qura, the Official Gazette of the Government of the Kingdom of Saudi Arabia.
Receiving Agents	Al Rajhi Bank, Riyad Bank and Bank Saudi Fransi.
Government	Government of the Kingdom of Saudi Arabia.
Share	The Company's fully paid share with a nominal value of SAR 10.
The Exchange of "Tadawul"	Saudi Stock Exchange, the automated system for trading of Saudi Stocks Exchange.
Person	Natural person.
Financial statements	Audited financial statements for fiscal years ended on December 31, 2011, 2012 and 2013G,and audited financial statements for the first half ended June 30, 2014G.
Implementing Regulations	Implementing Regulations of the Cooperative Insurance Companies Control Law issued in accordance with the Royal Decree No. M/32, dated 02 / 06 /1424H (corresponding to 31 / 07 / 2003G.)
Shareholders	Shareholders at any time
Registered Shareholders	The Company's shareholders registered in the register of shareholders in the Company at the end of trading Date) of the Extraordinary General Assembly meeting (Eligibility date) as at the Eligibility date.
Financial Advisor	AFG, which has been designated by the Company as a Financial Advisor with regard to the Rights Issue.
Lead Manager	Saudi Hollandi Capital, which has been designated by the Company as a Lead Manager with regard to the Rights Issue.
Subscriber	Every Eligible Shareholder who subscribes or requests to subscribe for rights shares according to the terms and provisions of the Rights Issue.
Kingdom or KSA	Kingdom of Saudi Arabia.
By-Laws	By-Laws of the Company Al Rajhi Takaful .
Ministry	Ministry of Commerce and Industry, Saudi Arabia.
Rights Issue	Issuance of 20,000,000 Rights for the Company shareholders as at Eligibility Date.
Eligibility Date	The date of the Extraordinary General Meeting to approve the Company's capital increase.
Eligibility of shares for each Shareholder	The result of dividing the number of existing shares of the Company by the number of New Shares issued, one New Share Per "1" Share held as at Eligibility Date.
License of SAMA	The license granted to the Company by the Saudi Arabian Monetary Agency.
Riyal or SAR or SR	Saudi Riyal, the local currency of the Kingdom of Saudi Arabia.
Offer Price	Ten Saudi Arabian Riyals (SAR 10) per Offer Share
The offering period	The period that begins on Tuesday 26 / 05 /1436H (corresponding to 17 / 03 / 2015G) up to Tuesday 11 / 06 /1436H (corresponding to 31 / 3 / 2015G)

The Listing Rules	The Listing Rules issued by the Capital Market Authority under Article 6 of the Capital Market Law issued under Royal Decree No. M/30, dated 02 / 06 /1424H (corresponding to 31 / 07 /2003G).
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses 20,000,000 Ordinary Shares of the Company's shares.
Shares offered for subscription **First offering phase**	Starting from Tuesday 26 / 05 /1436H (corresponding to 17 / 03 /2015G) and lasts for 10 calendar days to Thursday 06 / 06 /1436H (corresponding to 26 / 03 /2015G.)
Trading of rights	Will coincide with the First Offering Period starting from Tuesday 26 / 05 / 1436H (corresponding to 17 / 03 /2015G) and lasts for 8 calendar days to the end of Thursday 06 / 06 / 1436H (corresponding to 26 / 03 /2015G.)
Second offering phase	Will begin from Sunday 09 / 06 /1436H (corresponding to 29 / 03 /2015G). and lasts for 3 calendar days including the last day of subscription on Tuesday 11 / 06 / 1436H (corresponding to 31 / 3 /2015G).
Rump Offering	Issuance of any remaining unsubscribed shares by Eligible Persons to institutional investors during the Rump Offering period
Rump Offering Period	Subscription for the Rump Shares will begin on Sunday16 / 06 / 1436H (corresponding to 05 / 04 / 2015) from 10:00 a.m. until 10:00 a.m. of the next day Monday on 17 / 06 / 1436H (corresponding to 06 / 04 / 2015G.).
Eligible Persons **Trading of Rights**	Shareholders registered who have bought the rights during exchange period Eligible Persons may trade in (Buy and Sell) the Rights of 1 rights for each 1 of the Company's shares in Tadawul.
Exercising of Rights **Insurance regulations**	Application for subscription to the New Shares by the Eligible Persons Insurance Law and its Implementing Regulations as amended
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks.
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer Company against some or all risks it covers.
SAMA	Saudi Arabian Monetary Agency
Institutional investors	**Include the following institutions:** • Publicly offered investment funds established in the Kingdom that invest in securities listed on the Exchange. • Persons authorized to deal in securities as principal, provided that financial adequacy requirements are observed. • Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, banks and insurance companies listed in Tadawul.
Underwriter	Al Rajhi Capital, which was appointed by the Company to underwrite the Offer Shares.
Board or Board of Directors	Board of Directors of Al Rajhi Takaful Company
GCC	Cooperation Council for the Gulf Arab States.
The Company's advisors	They are the Company's advisers with respect to Rights Issue named in Page "G" of this Prospectus.

Prospectus	This Prospectus prepared by the Company in respect of the offering.
Insurance Law	Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 2 / 6 / 1424H (corresponding to 31 / 7 / 2003G)
Companies regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22 / 3 / 1385H (corresponding to 22 / 07 /1965G), as amended.
Subscription Application Form	The application form to subscribe for the offered shares
CMA	Capital Market Authority of the Kingdom of Saudi Arabia.
Substantial shareholders	They are shareholders who own 5% and more of the total shares of the Company. Those shareholders are: Al-Rajhi Banking and Investment Company (Al Rajhi Bank) and Al Rajhi Insurance Company Limited-Bahrain and Oman Insurance Company -UAE-
Strategic Partners	Al-Rajhi Banking and Investment Company and (Al Rajhi Insurance Company Limited-Bahrain
Actuary expert	A person who applies various statistical and probability theories to determine the pricing of insurance products assess the liabilities and calculate provisions.
Gross Written Premiums	Gross written premium of insurance policies within certain timeframe without deducting the premiums ceded to reinsurance companies.
Net Written Premiums	Net Written Premiums are calculated after deducting the reinsurance
CAGR	Compound annual growth rate
Founding shareholders	Senior shareholders who founded the Company , and whose names appear in page 26.
GDP	Gross Domestic Product of the Kingdom of Saudi Arabia.
General Assembly	General Assembly of the shareholders in the Company.
Insurance Policy	A legal document or a contract issued to the insured by the Company setting out the terms of the contract to indemnify the insured for loss and damages against a premium paid by the insured
Corporate Governance Regulations	The corporate governance regulations in KSA issued by the Capital Market Authority under resolution No 21 /12 /2006 dated 21 /10 /1427H (corresponding to 13 / 11 / 2006G) and subsequent amendments.
Insured	A natural or a legal person, which has entered into an Insurance Policy.
Insurer	An insurance company that accepts directly insurance contracts from the Insured and undertakes compensation against loss incurred by the insured.
Marine Insurance	A policy that covers what bappens during the marine trip that carries goods owned by the purchaser including any damages, losses or missing whether during the shipment of goods or during transport and unload it fron the exporting country to the importing country to the limit of coverage specified in the policy and according to its conditions.
Increased loss Agreement	It is a Reinsurance policy by which the insurance company bears any loss occurred to the Insured more than the amount borne by the insurance company that is mentioned in the policy signed between them.
Policyholder	The person who holds the insurance policies issued by the Company, according to company records.
GIA	General Investment Authority of Saudi Arabia.

SOCPA	Saudi Organization for Certified Public Accountants
Distribution of surplus	The method by which the profit of insurance or reinsurance company is distributed to the insured
Technical Provisions / reserves	Amounts allocated by the Company to cover unexpected losses arising of special type of policies and financial obligations arising therefrom.
Underwriting Agreement	The Underwriting Agreement between the Company and the Underwriter
S&P / AM Best	Companies specializing in the business of credit rating and the development of indicators to measure the performance of financial markets in various global markets in addition to providing services of analysis and specialized studies.
Council of Cooperative Health Insurance	An independent governmental body established by Royal Decree No. M/10 dated 01 / 05 /1420H to oversee the implementation of the Cooperative Health Insurance Law in Saudi Arabia.
Al Rajhi Takaful Agency	A company 99%owned by Al Rajhi Bank and 1% by Mr. Suleiman Bin Abdul-Aziz bin Saleh Al Rajhi, the main activity of the agency is bank insurance agent. Agreement has been signed between the Rajhi Takaful Agency, Al Rajhi Bank and Al Rajhi Takaful Company in order for the Agency to exclusively sells its products to the Bank customers.

2- Risk Factors

Shareholders who subscribe to the Rights should pay careful attention to the following risk factors that relate to the Company works before subscription, in addition to all the other information mentioned in this Prospectus in order to take a final decision regarding their investment.

The Company's Board of Directors and its senior management see that the following risks are significant risks that might face the Company and its activities. However, the risks that might face the Company are not confined to these factors, the unknown risks that the Company thinks they are not significant currently, might have negative impact on the financial position of the Company or its success. If any of the expected or unknown factors occurs, the Company's activities or its financial position or results of its operations will be affected, in this case the market price of the New Shares will fall, and the subscribers might lose all or part of their investments.

2 -1 The Risks relating to the Company's activities and operations

2-1-1 Risks of withdrawal of license by SAMA

The Company conducts its activities according to the insurance business license that was issued by SAMA number (TMN 22 / 11 / 2009) dated 29 / 11 /1430H (corresponding to 16 / 11 / 2009G) according to certain conditions. Additionally, the Company must abide by Article (76) of the Implementing Regulations of the Cooperative Insurance Control Law after obtaining the license. SAMA has the right to withdraw the Company's license in any of the following cases:

1. If the Company does not comply with the Control Law or Implementing Regulations.
2. If it turns out that the Company provided SAMA purposely with incorrect information or data.
3. If SAMA knows that the Rights of the insured, beneficiaries or subscribers are exposed to loss due to the way of the Company's exercise to its activities.
4. If the Company bankrupted, and became unable to fulfill its obligations.
5. If the Company conducts its activities deliberately in a fraud manner.
6. If the Company's capital dropped to (25%) less than the decided minimum or if the Company does not meet solvency requirements.
7. If the insurance activity in the insurance branches dropped to a level which SAMA determines it is not effective.
8. If the Company refuses to pay the due claims to the beneficiaries unfairly.
9. If the Company prevents the inspection team charged as per SAMA's instructions from performing its job to check the records.
10. If the Company or the free business owner refrains to execute a final verdict issued in any insurance disputes.

In case the Company fails to meet its obligations under the provisions of the Implementing Regulations, it would be subject to the license withdrawal and therefore, its activities will stop.

2-1-2 Risks of reserves inadequacy

The Company recognizes provisions in the balance sheet, representing estimations of costs for final settlement and management of reported claims and unreported claims, and expenses for settlement of related claims, according to the Implementing Regulations of the cooperative insurance companies control law. Size of such reserves is estimated according to the expected trends in volume of claims and their frequency, according to the data available at the time. The process of putting an appropriate level of claims reserves is inherently uncertain due to difficulty and complexity of making necessary assumptions.

As the size of reserves depends on future estimates, and it might prove to be inadequate in any period. In case the actual claims exceeded the claims reserve, the company would have to increase its reserves, which would consequently lead to a decline in net income. In case the decline is significant, the Company's financial position and results of operations will be adversely and materially affected.

2-1-3 Risks of lack of diversity of insurance products provided by the Company

A1Rajhi Takaful is an insurance company licensed by SAMA, to develop, market and sell certain insurance products at

the present. The Company's ability to diversify its products in the future depends on several factors beyond its control, including failure to obtain SAMA's approval. Therefore Al Rajhi Company is exposed to competition from companies, which present diverse insurance services that make them more adaptive to changes in the surrounding environment, regulations and laws that might occur to specific services provided by Company. Accordingly, the Company's market share, financial position and profits would be negatively affected.

2-1-4 Reinsurance Risks

Insurance companies depend, in their normal course of business, on reinsurance agreements to reduce risks related to insurance coverage. Therefore, insurance companies sign agreements with regional and international companies, against which they pay reinsurance fees. Availability, volume and costs of reinsurance are subject to the prevailing market conditions which are usually beyond the control of the Company's management. The Implementing Regulations of the Cooperative Insurance Companies Control Law require the following:

- Insurance companies must retain at least 30% of gross written premiums.
- Insurance companies are requested to reinsure at least 30% of gross written premiums within the Kingdom of Saudi Arabian at the time of reinsurance.

The fluctuations of reinsurance market might lead to a noticeable increase in reinsurance fees, which might negatively affect the Company's profitability.

On the other side, not assurance can be given that reinsurance companies would not fail in paying their share of the future claims, and that will adversely affect the Company's financial position, its relationships with its customers and its future profitability. If the Company cannot retain its relationships with reinsurance companies or substitute them, it would be more exposed to the risks and will limit its capability to increase the size of its activities. Additionally, the Company is subject to credit risks regarding reinsurance companies, as risks of reinsurance companies do not relieve the Company from its obligations towards the customers.

2-1-5 Risks of Management Decisions

Results of Company's activities depend mainly on its management's capability to take correct and appropriate decisions regarding its activities. In case the Company's management takes wrong decisions regarding its business, the Company's performance, profitability and results of activities would be adversely affected.

2-1-6 Risks related to Dependence on Key Personnel

The Company aims to attract and employ qualified employees to insure efficiency and quality of its activities through effective management and the proper operations. Since the Company's success depends on its capability to attract qualified employees and retain them, loss of key persons or inability to retain them would be negatively reflected on the Company's activities and profitability. The Company has obtained no objection from SAMA to assign non Saudis in leadership positions according to article (5) of the appointment regulations in leadership positions at financial institutions subject to supervision of SAMA. There is no guarantee that the Company would obtain such no objection letter in the future.

2-1-7 Employee's Misconduct or Errors

The Company cannot guarantee nonoccurrence of misconduct by employees, including performance of illegal activities, misuse of information, disclosure of secret information, involvement in publishing misleading information or non-compliance with the internal bylaws. If such mistakes occur, they will negatively affect the Company's business and the results of operations.

2-1-8 Risks of Sources of Funding

The Company's ability to practice new activities and establish sufficient rates of insurance premiums and reserves depends on several factors, the most important of which is the capital adequacy.

The Company might need to provide additional funds either through shareholders rights or debts. However, obtaining funding might be based on conditions not favorable to the Company In case of funding through increase of capital

by issuing new share, this might lead to reduce the equity of present shareholders who have not subscribed in the Rights. If the Company could not obtain the adequate capital, its performance and results of operations would be adversely affected.

2-1-9 The investment risks

The Company's investments are affected by general economic conditions, market fluctuations, interest rates, liquidity, credit and other risks. Such investments are divided into two parts: investments from shareholders operations and investments from Al-Takaful operations. If the Company could not balance between its investment portfolio and its obligations, it will be forced sometimes to liquidate its investments at non-favorable prices, which will negatively affect the Company's financial position and results of operations.

2-1-10 Risks related to Technology

The Company executes its business operations through its sales and products management system and website. However, the system might face interruption or technical problems as a result of virus attack or mistakes upon update of the system or others. Any interruption in technological systems will restrict the Company's ability to execute its business operations, which will affect adversely impact the Company's activities and profitability.

2-1-11 Risks of continuous dependence on the Company providing technology system

The Company depends on three major companies to provide it with the technology system. The three companies provide continuous support and maintenance for the Company according to the cooperation agreements signed with them. The occurrence of any major conflict with one of these companies, any permanent technological problems or loss of data for any reason will negatively affect the continuity of the Company's business, financial performance and results of operations.

2-1-12 Risks related to change of Shariah Committee's opinion

The Company has a specialized Shariah Committee that has a major role in products control and legalization. Therefore, any difference in the jurisdictional opinion or stir any issues regarding the compliance of the existing products with products previously approved by the Shariah committee will negative affect on the Company's reputation, and accordingly on its performance and results of operations.

2-1-13 Liquidity Risks

The Company faces liquidity risks when it becomes unable to fulfill its obligations resulting from its business operations and liabilities on the specified time. The Company does not guarantee nonoccurrence of any contingencies or unexpected events that might need immediate liquidity, which will affect the Company's operational performance and financial position.

2-1-14 Credit Risks

The Company faces credit risks when a party fails to meet certain financial obligations. The Company may face credit risks when Takaful operations face a deficit due to non-payment of outstanding claims by reinsurers, , when policyholders do not pay their due premiums, when third parties fail to meet their obligations towards the Company, or in case of failure of the companies in which the Company's shareholders assets are invested.. In case of inability of any of the above mentioned parties to meet its obligations, the Company's business, financial position and results of operations will be adversely affected.

2-1-15 Risks related to fluctuations of currency exchange rates

These risks are represented by fluctuations of exchange rates of financial investments. The Companies usually face exchange rates risks when they are linked with commercial relationships with international parties which require them to deal in foreign currencies. Most of the Company's operations are executed in Saudi Riyals because insurance policies are limited to the cities within the Kingdom of Saudi Arabia. In case the Company collects or pays any amounts in foreign currencies, including premiums paid to reinsurance companies, it will face the risks of fluctuations of foreign currencies exchange rates, where any such fluctuation will adversely affect the Company's financial performance.

2-1-16 Risks of Ratings

Some international rating agencies such as Standards and Poor's rate insurance companies and financial services periodically in terms of the strength of their financial situation.

Such classification is not considered a rating of the Company's shares or a recommendation to invest in any of the classified companies. However, the level of trust of the customers might be affected due to the change of rating. There is no guarantees that the Company will obtain or retain high rating. Any decline in the rating of the Company's financial position and its ability to meet its obligations in the future will have negative impacts on the Company's future performance and operations.

2-1-17 Risks of non-renewal of current insurance policies

The insurance policies issued by the Company mostly have validity period of up to 12 months. If the Company could not renew these policies with current customers or issue new policies as expected in future, the level of written premiums in future will be adversely and directly affected, which will affect the Company's sales and operations in future.

2-1-18 Risks related to Company's losses

The accumulated losses of the Company reached SR 94,896 million as of September, 2014G, representing 47.45% of the Company's capital. There is no guarantee that the Company will not continue in recording additional losses. In case the Company incurred additional losses, it will be subject to a number of relevant regulations and laws.

There are procedures stipulated by CMA's regulations including that in case accumulated losses of a stock company exceed 50% of its capital and less than 75% during its financial results or as a result of an event led to such losses, the Company must announce this immediately on Tadawul website. The announcement should include the amount of cumulated losses , their ratio of its capital and the main reasons that led to these losses.

The Company as long as it remains in this situation must publish monthly financial management reports. In case the Company could reduce such losses to less than 50% of its capital, it must announce that immediately on Tadawul website together with a report about its financial position from the Company's legal auditor. For more information about these procedures, please refer to section "9-1 Capital Structure".

The companies laws demonstrates that in case the losses of a stock company reaches 75%, the extraordinary general assembly of the Company shall be called by the Board of Directors to look in continuity of the Company or to dissolve it before the due time specified in its articles of association. In case the Company continues to incur losses, and in case the general assembly decided to dissolve the Company, the shareholders might lose all or part of their investments in the Company. Also the Company's share might face suspension by CMA, if the losses exceeded 75%. In case the Company is subject to these procedures, its reputation, and accordingly its share price and profitability will be affected.

2-1-19 Risks of non-compliance of third parties with existing contracts

The Company signed distribution and cooperation agreements and another significant agreements with many parties related to its normal activities. The most import party is Al-Rajhi Takaful Agency which is responsible for marketing and selling Company's products exclusively to customers of Al Rajhi bank which represents 57% of the total revenues in 2013G. The Company depends on the readiness and capability of these parties, on the top of them Al Rajhi Takaful Agency, to meet its obligations according to the terms and conditions of the above agreements. It is impossible to give any guarantees or assurance that these parties will be to the level of expectations, and if they could not fulfill their obligations, the Company's financial position and results of operations, would be adversely affected.

2-1-20 Risks related to current status of Zakat

The Company obtained provisional zakat certificates from the Department of Zakat and Income Tax (DZIT) for the years 2010–2013. Therefore, when the Company is issued final zakat certificates it might subject to settlements of due amounts, which might negatively affect its profitability and financial performance. Tax withholding related to related to reinsurance premiums has been paid to DZIT based on net amount (calculated as written premiums minus

due claims or commissions), while DZIT requests Tax settlements based on the total premiums. Provisions for the withholding tax has been made based on total premiums. The risks here arise from imposing a delay fine by DZIT equals to 1% of the due tax for any delay of 30 days, inadequate allocations to cover the possible risks, including penalties. However, the Company has allocated SR 13.3 million, for withholding tax and expected delay fines as of 30 June, 2014G (refer to section 13.12, the Company's status with DZIT).

2-1-21 Risk related to Focus on Less Profitable Activities

The Company currently offers three categories of insurance products: Health insurance, general insurance including motors insurance and protection and savings insurance. The profit margins for these categories are different. Although, the Company is supposed to focus more on high profitable categories and reduce focus on less profitable ones, it is notices, however, that the Company focuses now on motors insurance (63.7%), although it is the less profitable product compared to the other products.

If the Company continues on this trend, the gross profit margin of the Company will be reduced which will adversely and materially affect the Company's financial performance and profitability.

2-1-22 Risks related to Efficiency of Risk Management Policy

If the risk management policy followed by the Company inefficient, and the management is unable to specify the risks and evaluate them in the proper time, it will be exposed to internal problems and unexpected losses. If the risks management policy fails, it will lead to weakness in internal control, which will adversely affect the Company ability to fulfill its objectives. The Company does not give any guarantees regarding planning for adverse incidents. If such planning is not accurate, it will significantly affect the continuing of the Company's activities and will lead to the risks of noncompliance with the cooperative insurance. Noncompliance with Risk Management Regulations issued by SAMA means violation of the cooperative insurance control law and its Implementing Regulations and license conditions, which might expose the Company to regulatory sanctions. SAMA has the right to take one or more of the following actions in case the Company violates the regulations:

1. Appoint one or more consultants to provide consultancy to the Company.
2. Stop any of the board members or the employees involved in the violation.
3. Prevent or restrict the Company from accepting new subscribers, investors or participants in any of its insurance activities.
4. Force the Company to take any other necessary actions.

If SAMA finds that the Company continued violating this law and its Implementing Regulations, and it does not comply with the actions taken, SAMA may request dissolving of the Company.

2-1-23 Risks related to Dependence on Related Parties and Increasing Dependence on Mediators and Brokers.

The Company depends heavily on its revenues realized from its relationships with related parties such as Al-Rajhi Bank, which represented 57% of gross revenues in 2013G. It is considered as the most important party, with which the Company has signed two insurance agreements, representing more than 5% of the gross profits of the Company. The Company also relies on Al Rajhi Takaful Agency which is exclusively responsible for marketing and selling of the Company's products to Al Rajhi Bank's customers. Its revenues reached 2.4% of the gross revenues in 2013. Heavy dependence on these parties will represent a risk to the Company's profitability and business, if any party suddenly decides to terminate or reduce his relationship

2-1-24 Risks of Inadequacy Allocations for unreported claims

The Company is exposed to risks rising from unreported claims if the claimants asked for their entitlement. The final claims might exceed the allocation, which in turn would lead to negative impacts of the Company's financial position and profitability.

2-1-25 Risks of concentration of re-insurance

The Company deals with a limited number of re-insurance companies. Insolvency, inability, or unwillingness of any reinsurance companies, with which the Company deals, or will deal in future, to settle the due financial payments

on time, or failing to meet the obligations mentioned in re-insurance agreements signed with them, will lead to significant and negative impact on the Company and its profitability.

2-1-26 Risks related to the Corporate Governance

The Company follows and implement corporate governance regulations issued by CMA to ensure protection of shareholders and various stakeholders. If the Company does not comply with the corporate governance regulations, especially the compulsory ones, its operational performance and shares profitability will be affected and will be exposed to CMA's penalties.

2-1-27 Risks related to noncompliance with the Business Plan

The Company presented its work plan to SAMA, and if it does not comply with of the contents of the work plan, it will be subject to accountability including imposition of penalties by SAMA. It is not possible to specify the type or volume of such penalties, but the Company is usually asked to rectify the situation and report the causes of these violations only. Also, the Company may face a difference between the levels of expected income and realized income for the years mentioned in the work plan. Accordingly, the Company's may witness significant variation in its financial position and profitability

2-1-28 Risks related to protection of the trademark

The Company has legally protected its trademark, and it thinks that the identity it has developed for itself, especially its link with Al Rajhi Bank (one of the Strategic Partners) contributed and is still contributing to a large extent to its business. Failure to protect its trademark will adversely affect the Company's ability to use it, which, in turn, will adversely affect its business, financial position and the results of operations.

2-1-29 Risks related to SAMA's approval of the investment policy

The Company has obtained SAMA's approval on its investment policy. If there are any discrepancies between what has been approved by SAMA and what is actually applied, SAMA will ask the Company to correct the situations, and to present causes of noncompliance. This is in addition to other regulatory actions which would adversely affect the Company's financial position and operations.

2-1-30 Risks related to Customers concentration

The Company relies largely on its revenues from transactions implemented by Al Rajhi Bank, where such revenues represented 57% of gross profits of the Company in 2013G. Therefore, if the relationship between the Company and Al-Rajhi Bank stops or hurts, the Company's activities, profitability and financial position will be adversely affected.

2-1-31 Risks related to Noncompliance with the Accounting Standards

Noncompliance of the Company with the international standards in preparing the financial statements at any time, especially those related to classification of the balance sheet and income statement items, or noncompliance with the new or amended standards or issued explanations related to international accounting standards, which became effective on 1st January 2014, will lead to have the Company presents inaccurate financial statements, that do not reflect the reality, and will be misleading to the shareholders.

2-1-32 Risks related to banking guarantees

The Company issues banking guarantees in favor of third parties such as motors maintenance centers and hospitals, amounted to SAR 8.3 million as of 30 / 09 /2014 to protect the entitlements of these third parties for maintenance of the vehicles or treatment of patients. In case the Company fails to pay the due amounts to these parties, they will liquidate these guarantees, which, in turn, will adversely and materially affect the financial position of the Company.

2-1-33 Risks related to Future Data

Some of the data mentioned in this prospectus is future data, including known and unknown risks and some

uncertainties that could affect the Company's results. This data includes, but limited to, data related to the Company's financial position, business strategy, plans and objectives of future operations (including development plans and objectives of the Company's services).

If any assumption turns out that it is incorrect or inaccurate, the actual results might differ substantially from the results mentioned in this prospectus.

2 -2 Risks Related to the Market and Sector:

2-2-1 Risks related to Economic and Insurance Sector's Circumstances

The financial performance of the insurance companies depends largely on the local economic conditions in the Kingdom and global economic conditions that affect the Kingdom's economy. The Company's performance relies to a large extent on the circumstances of the insurance market and investment revenues through the changes in the customer's demand on its products and services.

In addition, Takaful activities are characterized by its cyclical nature, and unexpected events such as natural disasters, inflation pressure and judicial decisions will affect future claims, which will be adversely reflected on the profitability of the insurance companies in general. Therefore, the Company's profit and financial position will be negatively and substantially affected.

2-2-2 Risks of Competition

Competition arises when there are other companies working in the same sector of the Company. The total number of companies working in the insurance sector in the Kingdom reached up to date 35 companies listed in the Saudi Stock Market including Al Rajhi Company for Cooperative Insurance. The Company's competitive situation depends on many factors such as the type of the presented products, services quality, programs excellence, the geographical scope of activities, strength of financial position, price level, targeted customers, speed of claim settlement, company's reputation and others. The competition severity increases in case other companies enter the market, or mergers occur between existing insurance companies where one company acquires another one, which leads to increase of the size of these companies and accordingly reduction of sales of Al Rajhi Takaful Company. This will be adversely reflected on the Company's market share, profitability margin, growth plans, operating expenses and others.

2-2-3 Risks related to Approval of New Products and Inability to renew Temporary Approvals

The Company must obtain SAMA's approval on its new products in order to be able to issue and market insurance policies in the Kingdom, and realize revenues from them. If the Company does not obtain the necessary licenses and approvals on its new products, its ability to realize the expected profits from such products will be reduced. Any delay in issuing the insurance policies will impede the Company's ability to increase its profits. Also, the Company has obtained temporary approval from SAMA on certain products, and if it does not obtain final approval, it should stop selling such products, and in this case the Company will be subject to reduction of its sales which will adversely affect its financial position.

2-2-4 Risks related to Solvency Requirements

According to the Implementing Regulations of SAMA, the Company must retain a minimum level of Solvency which is affected mainly by the level of the technical reserves retained by the Company, which depends on the volume of sales of insurance policies and on the regulations that specify the required legal reserves. The Solvency level also might be affected by the profit margins for the products, investment revenues, insurance costs, and growth of activities. It should be noted that on 30 June 2014, the cover of financial Solvency margin of the Company reached 51%, which means noncompliance with minimum limit of the full cover of solvency margin, i.e. 100%, and it is possible that the Company's financial position and results of activities will be adversely and substantially affected. This might lead to withdrawal of the license by SAMA. SAMA will impose several procedures on the non-complying insurance companies such as:

- Capital increase
- Reduction of cost
- Liquidation of some assets
- Adjust prices
- Stop accepting new subscription.

All of these amendments to solvency requirements may lead to negative impacts on the Company's results and financial position. It is worth mentioning that until the date of this Prospectus, SAMA has not imposed any of the actions listed above, other than capital increase.

2-2-5 Risks related to Reporting Conditions

SAMA requires insurance companies to submit various periodical reports and regular financial statements and other information regarding their operating activities, capital, financial situation, legal situation, compliance with regulatory requirements and others. If the Company fails to comply with the applied laws and regulations including submission of reports, it will be exposed to regulatory actions, penalties and fines, which, in turn, will hurt its reputation, limit its ability to conduct its business, impede the increase of its revenues and profits and upgrade its performance. Consequently, this will adversely affect the company's results of operations and financial positions

2-2-6 Risks related to Legal Cases

The company may file legal cases against third parties, and it may be exposed to legal claims against it, due to noncompliance with the contracts, failure to pay dues or disputes with customers or others. Existence of any cases, either pending or threatened to be filed, might adversely affects the Company reputation and results of operations. It is worth mentioning, that the Company is currently a party in 8 legal cases, where it is a plaintiff in three cases of a total value of SAR 4.2 million, and defendant in five cases of a total value of SAR 15.4 million. It should be noted that if the Company loses these cases it will be obliged to pay a compensation of SAR 15.4 million and it will not be able to receive the amount that it is assumed to get for the cases brought against third parties. The Company has not allocated any amounts for the cases filed against it, which, in case it lost them, will adversely affect its financial position, and results of operations.

2-2-7 Risks related to the Company's Failure in Development or Expansion

The Company's ability to develop its activities depends on the level of the competition in the market, the ability of its management team, legal regulations and other. There is no guarantee that the Company will succeed in developing its activities, increasing its profits, and promoting the returns of its shareholders, which mean that the Company's financial position will be adversely affected if the expansion and development plans fail.

2-2-8Risks related to Saudization Requirements

Number of the Company's employees reached 509 employees as on 02 / 12 /2014G, where the Company realized Saudization ratio equal to 52.47% which makes it within the high green band. According to the requirements of Ministry of Labor and according to article (79) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the company with more than 20 employees, should have Saudization ration not less than 30%. There is no guarantee that the Company will maintain the Saudization ratio due to limited availability of trained employees, and severe competition among insurance companies to attract them.

If the ratio of the Saudization becomes less than the specified ratio, the Company will be exposed to penalties, including stop issuing any new work permits, stop transfer of sponsorship for non-Saudi employees, prohibit the participation in governmental bids, and prohibit obtaining governmental financing and other incentives which will adversely affect the Company activities and financial performance.

2-2-9 Risks related to the Kingdom's Accession to the World Trade Organization (WTO)

The Kingdom joined WTO membership on 11 December 2005G. Such membership might affect the market situations in the Kingdom. In this context, there will be higher level of local economy liberation and amendment of some laws and regulations which were established to protect the local businesses. In response to such future changes

with respect to the Kingdom's accession to WTO, well known international insurance companies with reputed names will adversely affect the Company's market share, or may expose the Company to new standards and specifications, which will results in more costs, and decrease of the Company's profits.

2-2-10 Risks related to Lack of Cultural Awareness about Insurance in Saudi Arabia

Many people in the Kingdom of Saudi Arabia see that insurance sector does not play a major role, and it contradicts the Islamic Shariah, which causes decrease in Al Takaful subscription, and adversely affects the Company activities and profitability.

2-2-11 Risks of related to adherence to laws of the Council of Cooperation Health Insurance (CCHI)

All the products of Takaful health insurance provided by Al Rajhi Takaful Co., are subject to the control of CCHI. CCHI regulations require the Company to comply with the organizing conditions to provide Takaful insurance products. Noncompliance to these regulations will expose the Company to investigation, fine or penalties which might reach withdrawal of the license which qualifies it to provide these products, and consequently will adversely and materially affects the Company's business and financial performance.

2-2-12 Risks related to Restrictions on the Business of Insurance Company

There are some restrictions on the activities of insurance companies according to the control law and regulations imposed by SAMA, including that insurance and reinsurance companies are not allowed to merge, own, control, or buy shares of other insurance and reinsurance companies without obtaining a written preapproval from SAMA. Also it is compulsory to report the ownership ratio of any person who owns 5% or more of the Company shares, through the quarterly prepared by the Company and presented to SAMA. Also such person must inform SAMA in writing about his ratio of ownership within 5 days from the date of any change occurs to it. In case of imposition of any other conditions on the Company, it may not be able to fulfill them, which will adversely affect the Company operation.

2-2-13 Risks related to Regulations

The Company practices its activities according to the cooperative insurance control law and its Implementing Regulations in the Kingdom of Saudi Arabia without violation of the provisions of the Islamic Shariah. This law relates to some financial and non-financial elements, represented in authorized levels of the business line, capital requirements, surplus, volume of insurance claims, types of investments and their amounts, adequacy of reserves and others. The Company complies with all imposed control regulations, except article (49) of the regulations which states that it is not allowed to issue or renew any insurance policy for any member of Board of Directors, Executive Management or the related parties unless due premium is paid in full. The Company clarified to SAMA that premiums facilities presented to related parties were provided without any preferable treatment, and until now SAMA has not yet instructed the company to take any procedure to settle the subject. However, in case of there are any changes in laws and regulations of insurance, this might adversely affect the Company's activities, financial position and results of operation. This might limit the Company's ability and speed to respond to the market opportunities. If the Company fails to comply with insurance regulations, it will subject to penalties including fines, stopping and withdrawal of license for practicing of insurance which will adversely affect the Company's financial position and results of operations.

2-2-14 Risks of related to Unexpected Disasters

Occurrence of unexpected disasters, either natural or non-natural, might directly affect the Company's performance which provides property insurance. The Company will be exposed to increasing number of claims resulting from unexpected disasters such as storms, tornados, earthquakes, fires, terrorism actions and others. Since Al Rajhi Company for Cooperative Insurance provides property insurance products, related claims resulting from unexpected disasters will lead to fluctuations in of the Company's financial results, and will adversely and materially affect its financial position and results of operations.

2-2-15 Risks of Insurance Activities

Accepting insurance against risks is considered a discretionary issue including many important assumptions which cannot be predicted due to their nature, and because they are beyond the Company's control. This means that analyzing their historical practices and their probabilities don't provide adequate indicators for these risks. Therefore, any error in calculating the net risks, to which the Company is imposed, will have a substantial negative impact on its financial position and results of operations.

2-2-16 Risks of Drop in Customers' Confidence

The customer's confidence in the insurance sector is vital to enhance the sector's strength. Therefore, any drop in the customers' confidence in the sector, in general, will lead to increase in the cancellations of insurance policies and refund of monies, because in case of cancelation of individual insurance policies, part of the paid amount will be recovered, which may adversely affect the Company's operations and financial position.

2-2-17 Risks related to Growth of Insurance Sector

The growth rate of insurance sector in the Kingdom of Saudi Arabia may not be as high and sustainable as currently anticipated by the Company. Also the impact on the insurance sector in the Kingdom as a result of certain trends and events such as keeping pace with the progress in the economic growth and continuous reforms in the social care sector, are generally future matters, currently unclear. Therefore, the growth and development of insurance market in the Kingdom is subject to a number of uncertainties that are beyond the control of the Company.

2-2-18 Limited historical data on the Market

Although the Saudi market is not new to the concept of insurance concept, it has just been organized. . So, the required information and historical data to accurately build insurance programs have not been collected. Therefore, insurance companies depended, upon estimation of losses and assessment of premiums, on estimates not to the required level of precision, and to certain extent unreliable, and accordingly the rate of risks for insurance portfolios might increase, resulting in losses to the Company..

23- Risks Related to Shares

2-3-1 Risks of Probable Fluctuations in the Share Price

The Company's share might be exposed to significant fluctuations, and might not be stable as a result of many factors including, but not limited to, the market conditions related to shares, any regulatory changes in the sector, deterioration of results of the Company's business, inability to execute future plans, entering of competitive companies, and speculation on the Company's activities. It should be noted that the market price of the Company's shares during the period of rights offering is not an indicator of the market price of the share after the offering. There is no guarantee that the market price of the shares will not be declined after being listed in the exchange market, compared to their buying price, and that will adversely affect the investors.

2-3-2 Risks of Potential Fluctuations in the Price of the Rights

The market price of the Rights might subject to large fluctuations due to the change of the market trends with regard to the Company's shares. Such fluctuations might be large due to the difference between the authorized limits of price change for trading in the Rights, as compared to the authorized limits of price change for trading in the shares. Since the trading price of the Rights depends on the current trading price of the Company's Shares and the market perception of the potential price of the Rights after the subscription, these factors and the factors mentioned under the "Risks of Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights.

2-3-3 Risks of Lack of Demand on the Company's Rights and Shares

There is no guarantee that there will be sufficient demand on the rights upon the Company's subscription during the trading period in order to enable the holders of the priority rights to sell their rights and make profits; also, there is no guarantee that there will be adequate demand on the Company's rump shares by institutional investors during the period of rump offering. In case the institutional investors do not offer higher prices for the rump shares than the offering price, there will not be compensation for the holders of the unexercised rights.

Additionally, there is no guarantee that there will be sufficient market demand on the shares obtained by the subscriber through practicing the rights, through rump offering, or from the market, which will adversely affect the Company's share price and profitability and also the shareholder.

2-3-4 Risks of Speculation in the Rights

Speculation in the rights issue may result in material losses. The limits of price change allowed for the trading of the Rights ("share's indicative value") exceeds the ratio applied on the shares' prices. Also, there is an ascending relationship between the Company's share price and the share's indicative value. Therefore, the daily price limits for the trading of a right will be affected by the daily price limits for the share trading.

In case a speculator fails to sell the Rights before the end of the Trading Period, he will be forced to exercise these Rights to subscribe for New Shares, and consequently he will be exposed to losses..

2-3-5 Risks of Potential Dilution of Ownership

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's capital increase.

2-3-6 Failure to Exercise the Rights in a Timely Manner

The subscription period starts on 26 / 05 /1436H (corresponding to 17 / 03 /2015G), and ends on 11 / 06 / 1436H (corresponding to 31 / 03 / 2015G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the subscription period. If the holders of the Rights and the financial intermediaries are not able to properly follow the procedures for the trading of the Rights, the Subscription Application Form may be rejected (See "Subscription Terms and Conditions" Section). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Second Offering Period, according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to the Eligible Persons who did not participate or did not properly subscribe for the New Shares.

2-3-7 Risks of Dividends

Future dividends will depend on, amongst other things, the future profits, financial position, capital requirements, distributable reserves and available credit of the Company, general economic conditions, and other factors that the Directors of the Company deem significant from time to time. Increase in capital may lead to dilution in the value of existing shares which may affect the Company's share market price. The Company's profits will be divided on a larger number of shares.

The Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to SAMA's approval and subject to certain limitations contained in the Company's By-Laws (Please refer to "Summary of the Company's By-Laws" section).

2-3-8 Risks of the Effective Control by the Founding Shareholders

Although the 3-year lock-up period has elapsed, following the initial Offering of the Company's shares, major founding shareholders: Al Rajhi Banking and Investment Corporation (Al Rajhi Bank), Al Rajhi Insurance Co. Ltd (Bahrain), and Oman Insurance Co. (UAE) still hold 55% of the Company's issued Shares. Collusion of these founding shareholders entail influence on the Company's critical decisions. Specifically, Founding Shareholders may influence decisions that require approval of the Company's shareholder, including significant corporate expenditures, appointment and termination of directors. The Founding Shareholders may exercise their powers in a manner that could have a significant effect on the Company's business, financial condition, and results of operations.

2-3-9 Risks of non-exercising or selling of Rights by Major Shareholders

If the major shareholders do not exercise their rights in subscription in the rights issue, or sell them partially or completely, their ownership and voting rights pertaining thereto will decrease, and their support currently provided to the Company will be affected and accordingly the Company's profitability and results of operations will be adversely affected as well.

2-3-10 Risks of the Major Shareholders selling their Shares in the Company

As the Major shareholders in the Company are strategic shareholders, and not technical shareholders, they can sell their shares totally or partly after obtaining the approval of SAMA and CMA. In this case, the Strategic Partners or the other major shareholders might not provide all current services and support because they don't own any share in the Company, or because of reducing this share, which will adversely affect the Company's profitability and results of operations.

2-3-11 Risks of selling large number of shares

Selling large number of the Company's shares in the stock exchange market after subscription will adversely affect the market price of the Company's share.

2-3-12 Risks Related to Expiry of Lock-up Period

When the Company was established on 26 / 6 /1429H (corresponding to 01 / 07 / 2008G) and listing and trading of its shares on 21 / 07 / 1431H (corresponding to 13 / 07 / 2009G), the Founding Shareholders who aggregate shareholding was 70% of the Company's total shares were restricted from trading their shares for (3) financial years. This period expired after publishing the financial statements in 2012G. Therefore the Founding shareholders have the right to sell their shares after obtaining the approval of SAMA and CMA. Further selling or buying of shares by the Founding Shareholders or the Strategic Partners might affect the Company's share price.

2-3-13 Risks of Absence of Prior Market for the Rights

Rights issue is a new market for investors on Tadawul system, and as such, many investors may not know a lot about the mechanism of trading in rights. This will adversely affect their willingness to invest and trade in rights, and accordingly the percentage of their ownership in the company will be reduced, which will lead to a negative impact on those who have not exercised their rights of subscription, particularly in case of no compensations distributed to them, when Institutional Subscribers do not offer a higher prices for the Rump Shares.

2-3-14 Risks of issuing New Shares in the Future

Nothing exists to prevent the Company from issuing New Shares in the future, after obtaining the approval of SAMA. Then, the profits of each share will be reduced because the number of shares will rise, which will lead to reducing the shareholders profitability before issuing the shares.

2-3-15 Risks of the of selling by Strategic Partners of their Shares or Exit from the Company

In case the Strategic Partners desire to sell their shares in the Company or exit from it, this will lead to a substantial negative impact on the Company's operations, revenues and financial position and accordingly the Company's share price will be adversely and materially affected.

3- Overview of insurance market

3-1 Sources of data

The information about the market and the insurance sector has been obtained from general sources open for all, and we believe that such resources are reliable, although, there is no reason that the Company or any of its advisors to believe that this information is not precise, but this information have not been verified, and it is not possible to assure their precision or completeness.

The sources of information of the insurance sector include SAMA, the Swiss reinsurance Company (Swiss Re), and there no statements from the Company's expert to the Company.

- Saudi Arabian Monetary Agency

Saudi Arabian Monetary Agency is the central bank of the Kingdom of Saudi Arabia, which was founded in 1372H (1952G). The main Functions of SAMA include:

- Issuance of the national currency (Saudi Riyal).
- Acting as the government bank, and control of commercial banks.
- Supervising and regulating the Cooperative Insurance companies and the professions related to insurance.
- Managing the country's foreign currency reserves.
- Managing the Monetary policy to maintain stability of prices and exchange rate.
- Encouraging growth of financial and banking system and to ensure its safety.

The information taken from the insurance market study report of Saudi Arabia for the year 2013G prepared by SAMA, which has been used in this Prospectus is publicly available and therefore it is not required to obtain any consent for the use of this information.

- Swiss Reinsurance Company (Swiss Re)

An international pioneer company in re-insurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. Swiss Re issues reports on insurance sector all over the world and these reports are available for public on its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

3-2 Overview of the Saudi Economy

The Saudi economy is the largest among the GCC states in terms of gross domestic product (GDP). The nominal (GDP) as of 31 December 2013G was approximately SAR 2.79 trillion. Saudi vast oil reserves are the main driver on which overall economic growth depends. Since 2009G, Saudi GDP has witnessed significant growth at a CAGR of 6.4% between 2009 – 2013G (as compared to a CAGR of 3.9% in Middle East and North Africa). The growth of the Kingdom's economy depends on high oil prices (which rose from $ 61.4 in 2009G to $110. 3 per barrel in 2013G), which in turns increased the Kingdom's dependency on oil revenues, including its total revenues, what increased the ratio of revenues from 78% to 87.7% for the period 2009 – 2013G. The increased oil revenues (in light of the 22,8% (CAGR) increment for the period 2009 – 2013G to SAR be 727 billion), has led to achieving budget surplus that represents a driver for government spending (where the cumulative spending for the period 2009 – 2013G was approximately SAR 3,88 Trillion).

The Government has focused its efforts on reducing Kingdom's dependency on the oil sector, and this is reflected by the increase in (GDP) from non-oil sector which rose from 50.2% in 2012 to 53.2% in 2013G. This is due to the following reasons: (a) the reduction of the daily production of crude oil from 9.74 million barrels per day in 2012G to 9.59 million barrels per day in 2013G; (b) strong growth in the gross domestic product GDP of the non-oil sector (where the private non-oil sector grew at a rate of 5.5% in 2013G, while the government sector grew by 3.7%).

Among the non-oil sectors, which have witnessed a significant growth in the Kingdom in the last decade are the banking and financial services, manufacturing, utilities, mining, monetary, telecommunications and retail sectors. In addition, the government is also focusing on the further development of trade, aviation, real estate, health care and education sectors. Moreover, banking sector loans granted o to the private have increased from 734.2 billion Riyals in 2009G to 1,123.6 billion Saudi Riyals in 2013G, and the CAGR of 11.2%.

The prospects of the Kingdom's economic progress are still strong. It is expected that GDP growth in the coming years, after government spending on infrastructure, local development and private non-oil sectors to increase. The government has announced the largest ever budget in the Kingdom's history of 885 billion Saudi Riyals for 2014G. The International Monetary Fund has estimated the real growth of GDP as 4.1% in 2014G, while the nominal GDP will increase by 3.7% to reach SAR 2.9 trillion.

All this information has been extracted from the World Economic Prospects issued in April 2014 by the International Monetary Fund, the annual report of the Saudi Arabian Monetary Agency, the annual statistics of SAMA in 2013, the monthly report of the Organization of Petroleum Exporting Countries about oil market) , May 2014, and the quarterly report for the Saudi Arabian Monetary Agency for the first quarter of 2014G, a special report on Saudi Arabia Middle East Economic Digest (Meed) in February 2014G.

The Kingdom's population reached 29.9 million in 2013G, and it is expected to reach 30.7 million in 2014G, according to the estimations of the General Department of Statistics and Information. It is expected that the Saudis will form 67.28% of the total population in 2014G, as they will reach 20.7 million, while the non-Saudis represent the remaining ratio (32.72%), at 10.1 million. The per capita of the GDP rose by 3.2% to reach SAR 91,332 in 2012G.

The following table shows the most important economic indicators during 2009-2013G:

Table 3-1 : The main economic indicators

Statement	2009	2010	2011	2012	2013
Estimation of population (million)	25,37	27,.56	28,38	29,19	29,99
The GDP in current prices (Riyals)	1,609,1	1,975,5	2,510,7	2,752,3	2,794,8
Inflation rate (consumer prices)	4,1	3,8	3,7	2,9	3,4
The daily average of raw of raw oil production million barrels	8,2	8,2	9,3	9.8	9,6
Average of barrels price of the light Arabic oil (in US dollars)	61,4	77,8	108,0	107,8	110,3

Source: SAMA : The ninety four report and report of the general statistics and information department

3-3 The international insurance markets

The international insurance premiums slightly grew in 2013, which growth rate 1.4% after taking the inflation element into consideration.

Premiums of life insurance increased by about 7% in 2013G, compared to 2.3% in 2012G, on other side, the growth rate on the premiums of non-life insurance was 2.3% in 2013, compared to 2.7% during the previous year . in 2013G, the interest rate raised in the advanced industrial states, especially in the U.S.A and Britain, and it is expected that the rise will continue for the next four years.

With this increase of interest rate and continuing of the international economy of recover, it is expected that the coming years will witness more growth in the international insurance premiums

Table 3-2 the real growth and international insurance premiums for 2013G

Statement	Life insurance	Non life insurance	Total
Industrial states	-0.2%	1.1%	0.3%
Emerging market	6.4%	8.3%	7.4%
The world	0.7%	2.3%	1.4%

Source: RI Company – world insurance report 2013 AC

The premiums of life insurance grew by 7% in 2013G, for the industrial states, the strong growth in western Europe and Oceania (An area located in the pacific Ocean, includes Australia, Newzeland and the Islands near them), met with a reduction in the north America markets and recession in Asian industrial states which for the emerging markets, Latin America and Africa states witnessed a noticeable raise, while the raises appeared again in the China and India market. Also, the international insurance premiums on non-life insurance raised by 2.3% in 2013G, supported by the big raise in the emerging markets, where, the non-life insurance premiums raised in these markets at 8.3%, while in the industrial states, the rise was very slight, and reached only 1.1% due to the recession in west Europe and the deceleration in the Asian industrial states.

In general, the profitability of insurance companies improved, but it is still less than the period before the economic, crisis. It expected that the international insurance markets will improve significantly during the next period, through the rise in the industrial states and continuing of improvement in the emerging states, particularly in China and India.

3-4 An overview on the insurance markets in the middle east, central Asia, and Turkey

Life Insurance

Life insurance is a contract convened between the insurance company and the holder of the document, where the insurance company according to this contract pays a certain amount of money in case of death of the document holder to his inherited.

There are two types of life insurance:

- Life insurance only.
- Life insurance and saving.

The life insurance market continued rising in this region, and the ratio of rising reached 11% in 2013G, where Turkey has the most effect of this rise, the rise rate reached 16% there , and the premiums of life insurance in the insurance market in Saudi Arabia raised at 4.2%, after it was low in the last three years.

In E.A.E and Lebanon, the life insurance premiums raised by 18%, but they declined in Republic of Islamic Iran at 7.6% after a strong rise in 2012G.

In the medium range, it is expected that the life insurance market in the area will benefit from the improvement in the economic situation for the majority of states, and increasing the insurance awareness, and the large amount of the working group of the population.

In the U.A.A market, the increase of demand by the foreign workers, and the middle class population, will support the raise in the market.

In general, the life insurance market in the region is considered a promising market due to the above mentioned in addition that it is a nun satisfied market and includes big opportunities for the future investment and development.

Non-Life Insurance

The non-life insurance includes all types of insurance except life insurance, such as Motor Insurance, marine insurance, and others there types of insurance in the middle east, central Asia and Turkey grew at 4.7% in 2013G, as a result of rise of most the markets in the region except the Persian market Turkey is considered the biggest non-life insurance market in the region, it accounts for 25% of the total insurance premiums. The life insurance grew by 13% in 2013G, while in the Kingdom of Saudi Arabia, the non-life insurance premiums slowed to 9%, after it was 12% in 2013G, due to the deceleration in the vehicles, properties and health growth of premiums.

While in U.A.E market, the rise3 in the medical insurance premiums participated in the rise of market in general at 7.7%, it is logical that some Middle East states will witness deterioration in the non-life insurance premiums, such as Syria, and Iran due to the political disturbances in these states.

In general, the future of the non-life insurance market in the region calls for optimism carefully. The governmental forcing the various types of insurance, the investment in the infrastructure, the improvement in the regulating authorities, all participate in the growth of the nonlife insurance market in the region, but the increasing level of competition will participate in increasing the pressure on the insurance companies to reduce their prices and the level of their profitability.

3-5 Development of the insurance sector in the Kingdom of Saudi Arabia

The government adopted the principle of the cooperative insurance through establishing the cooperative company for insurance in 1986, and the existence of large number of international mediators and agents who sell their products in the Kingdom.

The government entered in 2003G some new controls through control of the cooperative companies for insurance and their regulations which were issued by a Royal Decree number (M/32) dated 02/06/1424H Corresponding to 31 / 07 / 2014G, and SAMA became responsible of applying and controlling all the insurance activities in the Kingdom. The local insurance sector witnessed a transformational Stage, where the outstanding companies were given a period ended on 9 April, 2008 to obtain a license from SAMA to work in the Kingdom under the system of control of the cooperative insurance companies for 2013G, or to exit from the market. With the new systems, the insurance sector witnessed a clear growth during the last five years, where many insurance companies have been established through offering their shares for the public contributions and number of listed companies in the Saudi Shares market reached 35 company. This led to activation of the role of insurance activity of the services and plans available in the market and the listed companies in the market are shown in the following table 3-3

Table 3-3: The Listed insurance companies in the Saudi stock Exchange (Tadawul)

Allied Cooperative Insurance Group ("ACIG")	Salama Cooperative Insurance Company	Gulf Union Cooperative Insurance Company
Saudi Arabian Cooperative Insurance Co. (SAICO)	National Company for Cooperative Insurance ("Tawuniya")	Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
BUPA Arabia for Cooperative Insurance	Solidarity Saudi Takaful Company	Al-Ahli Takaful Company ("ATC")
Wiqaya Takaful Insurance & Reinsurance Company	Malath Cooperative Insurance & Reinsurance Company	Gulf General Insurance Company
Buruj Cooperative Insurance Company	Arabian Shield Cooperative Insurance Company	Ace Arabia Cooperative Insurance Company
Tokyo Marine Saudi Arabia	Al Rajhi Company for Cooperative Insurance	Wataniya Insurance Company
Al Alamiya for Cooperative Insurance	Saudi Re for Cooperative Reinsurance Company	Saudi Arabian Cooperative Insurance Company
Sanad Insurance & Reinsurance Cooperative Company ("SANAD")	Amana Cooperative Insurance Co.	SABB Takaful Company
Al Sagr Company for Cooperative Insurance	Saudi Enaya Insurance Co.	United Cooperative Assurance
Saudi Indian Company for Cooperative Insurance	Trade Union Cooperative Insurance Company	Jazira Takaful Cooperation Co
Arabia Insurance Cooperative Company	Saudi United Cooperative Insurance	MetLife AIG ANB Cooperative Insurance Company
AXA Cooperative Insurance Company	Saudi Feansi Allianz Company for cooperative Insurance.	

Source: Saudi Stock of Exchange Market (Tadawul).

3-6 Performance of the insurance market in the Kingdom of Saudi Arabia

The insurance market of the kinkdom was able to continue its strong growth in 2013 supported by the extension in the compulsory insurance, where the total subscribed insurance premiums reached 25.24 billion rials in 2013 compared to 21.2 billion Rials in 2012, with growth of 19.2% The health insurance retained its position as the biggest insurance activities in 2013 the medical insurance premiums decreased to 51% in 2013 compared to 53% in 2012.

While the share of general insurance increased to 46% in 2013, and the medical insurance share reached 1.61 billion rials from the total increase which reached 4.065 billion rials representing 39.6% of the rise of the total subscribed premiums. The activity of insurance of protection and saving retained its second rank, as the less size of the insurance activities, where its share from the total insurance premiums reached 3% and this represents a fall of the subscribed premiums by 5% in 2013.

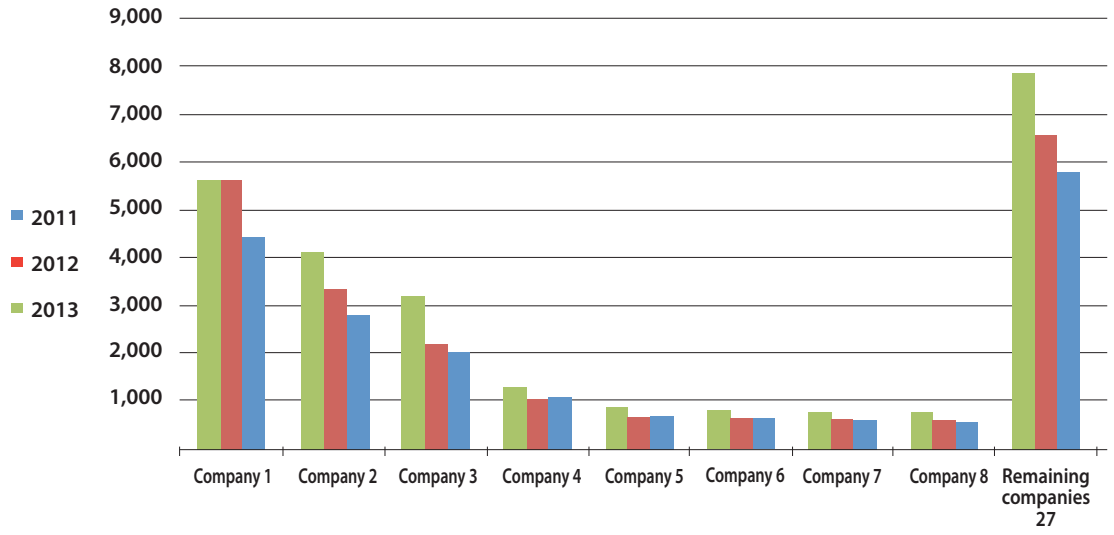
The following table shows the total insurance premiums that are subscribed in the kingdom's market for the period from 2009 to 2013 for all the practiced insurance activities in the insurance market in the kingdom.

Table 3-4 the subscribed premium according to the activity (million Rials)

Statement	2009		2010		2011		2012		2013		
	Total premium	Ratio from total premium	Total premium	Ratio from total premium	Total premium	Ratio from total premium	Total premium	Ratio from total premium	Total premium	Ratio from total premium	Growth ratio from 2013 -2013
Medical insurance	7,292	50%	8,690	53%	9,708	52%	11,285	53.3%	12,895	51.1%	14.3%
Motor Insurance	3,055	21%	3,239	20%	3,922	21%	4,689	22.1%	6.355	25.2%	35.5%
Properties/Fire insurance	905	6%	959	6%	1,157	6%	1,348	6.4%	1.665	6.6%	23.4%
Accidents/Liability											
Insurance	544	4%	507	3%	632	3%	691	3.3%	941	3.7%	36.2%
Engineering insurance	810	6%	869	5%	913	5%	1,077	5.1%	1,200	4.8%	11.4%
Marine insurance	525	4%	518	3%	634	3%	743	3.5%	740	2.9%	-0.4%
protection and saving	1,003	7%	972	6%	905	5%	889	4.2%	845	3.3%	-5.0%
Insurance	302	2%	329	2%	361	2%	385	1.8%	456	1.8%	18.5%
Energy insurance											
Aviation insurance	174	1%	305	2%	272	1%	67	0.3%	144	0.6%	114.7%
Total	14,610	**100%**	**16,387**	**100%**	**18,504**	**100%**	**21,174**	**100%**	**25,239**	**100%**	**19.2%**

Source: SAMA report for insurance marker 2009-2013

The following is the market share of insurance companies in Saudi Arabia with total insurance premiums



The market share of these companies was as follows:

Table 3 -5:the market shares for the insurance companies in the Kingdom of Saudi Arabia were as follows			
	2011	2012	2013
Company 1	24%	26.6%	22.2%
Company 2	15.2%	15.7%	16.4%
Company 3	10.8%	10.4%	12.6%
Company 4	5.8%	4.8%	5.1%
Company 5	3.7%	3.1%	3.5%
Company 6	3.25%	2.9%	3.1%
Company 7	3%	2.8%	3.1%
Company 8	2.96%	2.7%	3%
The remaining 27 companies	31.3%	31.0%	31.0%
Total	**100%**	**100%**	**100%**

Source: SAMA report -2013 insurance control administration

Depth of Insurance Market

Insurance Penetration

Insurance penetration is defined as GWP as a % of GDP. During the last five years, insurance penetration witnessed increase in the Compound Annual Growth Rate (CAGR) by 3%. In 2013G, insurance penetration increased to 0.9% compared to 0.78% in 2012G due to the modest growth in GDP (2.5% in 2013, compared to 26% in 2012G). The following table shows the insurance penetration during the period 2009–2013G.

Table 3-6: Insurance penetration in the Kingdom market (%)						
Business Line	2009	2010	2011	2012	2013	Ratio of change from 2012-2013
General insurance	0.45%	0.40%	0.36%	0.33%	0.41%	24%
Health insurance	0.52%	0.51%	0.45%	0.41%	0.46%	12.2%
Protection and savings insurance	0.07%	0.06%	0.04%	0.03%	0.03%	0%
Total	**1.03%**	**0.97%**	**0.85%**	**0.78%**	**0.90%**	**15.4%**

Source: Saudi Insurance Market Report 2013– Insurance Control Department- SAMA

Density of Insurance Market

Insurance density is defined as the annual expenditure on insurance per capita. Insurance density increased from SAR 725 per capita in 2012G to SAR 864 per capita in 2013G, representing a 19.2% increase. The following table shows the density of insurance market during the period 2009–2013G.

Table 3-7: Density of insurance market in the Kingdom (Saudi Riyal)						
Line of Business	2009	2010	2011	2012	2013	Ratio of change from 2012-2013
General insurance	249	248	291	308	394	27.9%
Health Insurance	287	320	358	387	442	14.2%
Protection and savings insurance	40	36	33	30	29	-3.3%
Total	**576**	**604**	**682**	**725**	**864**	**19.2%**

Source: Saudi Insurance Market Report 2013– Insurance Control Department- SAMA

Retaining average according to the field

The retention ratio measures the written premiums retained by the insurance company. The overall retention ratio of insurance companies in the Saudi market increased to 76% in 2013G from 75.8% in 2012G. This ratio is largely skewed due to the high retention ratio of Motor and Health insurance which collectively account for around 76% of the total GWP in 2013. In 2013G, the retention ratios for Motor and Health insurance were 94% and 89%, respectively.

The following table shows the retention ratio according to the line of business during the period 2009–2013G

Table 3-8: retain average according to the insurance activity (%)

Type of insurance	2009	2010	2011	2012	2013	Ratio of change from 2012-2013
Health Insurance	76.2%	82%	85%	88%	89%	1.1%
Motors insurance	96.4%	96%	95%	94%	94%	0%
Properties of fire insurance	11.6%	13%	12%	15%	17%	13.3%
Accidents and Liabilities	44.9%	54%	44%	48%	42%	-12.5%
insurance and others						
Engineering insurance	15.5%	13%	14%	15%	15%	0%
Marine insurance	34.9%	34%	32%	31%	33%	6.5%
Energy insurance	1.7%	2%	2%	2%	2%	0%
Aviation insurance	0.6%	2%	0.5%	4%	3%	-25.0%
Total	**67.4%**	**70.9%**	**72.1%**	**75.8%**	**76%**	**0.30%**

Source: SAMA, Report of Saudi Insurance Market 2013, Insurance Control Administration

3-7 Cooperative Insurance Companies Control Law and Implementing Regulations

SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance and reinsurance sector in accordance with the Cooperative Insurance Companies Control Law which was issued by Royal Decree number M/32 dated 02 / 06 /1424H (corresponding to 31 / 7 / 2003G) which set the stage for the legal framework and supervision of the insurance sector. Subsequently, Implementing Regulations were issued by Ministerial Decree No. 1/596 dated 1 / 3 /1425H (corresponding to 20 / 4 / 2004G) to govern the insurance business in Saudi Arabia. Some of the salient features of Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within the Kingdom of Saudi Arabia must be carried out by insurance companies established and registered in the Kingdom of Saudi Arabia and operated in a "Cooperative/Takaful" manner consistent with the principles of Islamic Law and Jurisprudence.
- Applicant insurer/reinsurer must be a joint stock company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).
- Gross premiums written should not exceed ten times the amount of the paid up capital of the Company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders' income statement and the balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

3-8 Factors of Increase in Demand

There are several factors that predict increased demand and growth of the insurance sector in the Kingdom in the future. The most important of these factors are:

- **Compulsory medical insurance for workers in the Kingdom, including expats**

Compulsory medical insurance has been imposed on all residents working in the Kingdom, as per the Council of Ministers' Resolution No. 71 dated 27 / 04 /1427H (corresponding to 11 / 08 / 1999G). It is expected that this system will cover between six to seven million people of foreign labors.

It is expected that compulsory medical insurance will be imposed on Saudi nationals as well in the future

- **The Compulsory motor insurance:**

After issuance of Council of Ministers' Resolution No. 271, dated 25 / 12 /1427H, which provided for the mandatory motor insurance, and due of the significant growth in the economy and increase in population, the demand ratio is expected to increase for vehicle insurance.

- **Protection and Savings Insurance which is expected to grow significantly in future with the increased regularization and development of the market.**

Due to the shift witnessed in the insurance market, along with the increasing awareness among consumers, it is expected that the level of penetration will increase for protection and savings insurance products.

3-9 Future Developments:

Due to the new systems and in addition to other economic and general factors, it is expected that the insurance sector in the Kingdom of Saudi Arabia will witness tangible developments that will include the following:

- The market will become more attractive for many insurance companies.
- It is possible that the premiums price will fall which will lead to fall in profits, due to the competition in the insurance market.
- It is expected that the products of protection and saving insurance will grow in an ascending order.
- It is expected that the companies' financial performance will increase due to imposition of the statutory reserve system, and the transparency level will increase in the future, as well.

4 - The Company.

4-1 Introduction

Al Rajhi Company for Cooperative Insurance is a Saudi joint stock company registered under the commercial register number 1010270371 issued from Riyadh on 5 / 7 / 1430H corresponding to 28 / 6 / 2009G. the address of its head office is Riyadh, Malaz District, Sitteen Street, Platinum center, floor (3), which matches its address in the Commercial Registration. The Company was established according to the Royal Decree number M/35, dated 27 / 06 /1429H corresponding to 01 / 07 / 2008G, and according to the Ministerial Resolution number (181), dated 27 / 06 /1429H, corresponding to 30 / 06 / 2008G, and a license to conduct insurance business from SAMA number MN 22 / 11 /2009, dated 29 / 11 /1430H (corresponding to 17 / 11 / 2009G). The Company started to pursue the insurance activities according to the Islamic legislation since 1 / 6 /2009G according to the Cooperative Insurance Control Law and its Implementing Regulations. The Company has been listed in the Saudi Stock Exchange (Tadawul) on 13 / 07 / 2009G, and the Company obtained the final approval from SAMA on 17 / 01 /2010 regarding some of its products, such as contractors all risks insurance, machine breakage insurance, construction equipment and plant insurance and installments risks insurance. the Company obtained a license to conduct medical insurance on 14 / 02 / 2010G .

The Company provides various types of insurance based on the cooperative insurance principles under the supervision of SAMA, which is considered the official authority that is responsible for applying the Cooperative Insurance Control Law and its Implementing Regulations. The main insurance services of the Company in the Kingdom of Saudi Arabia include all kinds of general insurance such as Motor Insurance, health insurance, fire insurance, equipment breakage insurance, contracting insurance, land transport insurance, marine insurance, debts insurance, civil liability insurance and protection and savings insurance

The Company confirms that there is no intention to make any substantial change on the nature of its business.

Recently, approval of SAMA has been obtained according to letter number 351000131835, dated 24 / 10 / 1435H

(corresponding to 20 / 08 / 2014G) to increase the Company's capital by SAR 200,000,000 through Rights Issue, and after completion of the subscription in the New Shares, the Company's capital will become 400,000,000 Saudi Riyals divided into 40,000,000 Ordinary Shares with a nominal value of SAR 10 per share. The decision of the Company's Board of Directors was issued on 27 / 6 /1435H (corresponding to 27 / 04 / 2014) with a recommendation to increase the Company's capital.

4-2 The Company's activity

Al Rajhi Takaful Company, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Laws and rules in force in Saudi Arabia, practices Cooperative insurance business consistent with the Islamic legislation, including reinsurance works, agency work, representation and correspondences. The Company has the right to perform all procedures that need to be undertaken to achieve its objectives both in the business of insurance and investment of its funds, and has the right to possess the immovable properties and its funds or sell, replace or lease them whether by itself or by other companies it incorporates, or in cooperation with other bodies.

4-3 Company Milestones

- The Founding Shareholders obtained the license to establish the Company according to the Royal Decree No M/35 dated 27 / 06 /1429H Corresponding to 01 / 07 / 2008G, and according to the ministerial resolutions no 181 dated 26 / 06 /1429H Corresponding to 30 / 06 /2008G.
- Listing of the Company on the Saudi Stock Exchange (Tadawul) on 13 / 07 /2007G.
- The Company obtained a license from SAMA to conduct insurance business by under no. MN 22 / 11 / 2009, dated 29 / 11 / 1430H corresponding to 07 / 11 / 2004G and to permit it to start operations.
- The Company started conducting insurance activities on 01 / 06 /2009G.
- The Company obtained an approval letter from SAMA under number MT/2078 dated 13 / 11 /1432H on the proposed method by the Company of the mechanism of calculating the general and administrative expense.
- The Company obtained an approval of SAMA to increase its capital according to letter no 351000131835 dated 24 / 10 / 1435H, corresponding to 20 / 8 / 2014G.

4-4 The Company's vision and mission

The Company's vision

«To be the best providers of Takaful solutions that enhances the quality of life for all its users.

Company’s mission

«We seek to provide safety against various life risks and excel in innovating high responsive products that exceed expectations and consistent with the Shariah law. Our ambition is the satisfaction of our customers and to master the art of service. We are opening wider horizons for our investors, and our members and team are dealing with each other as one family.

4-5 Capital Structure

The Company's capital stands at 200,000,000 Saudi Riyals, divided into 20,000,000 Ordinary Shares at 10 Riyals each, all paid up in full. The subscriber Shareholders subscribed for a total of (14,000,000) shares with a value of (140,000,000) Saudi Riyal, paid their value in cash, representing 70% of the Company’s capital . The Company offered (6,000,000) shares with value of (60,000,000) Saudi Riyals for public subscription during the period from 22 / 04 /1430H (corresponding to 18 / 04 / 2009G) to 02 / 05 /1430H (corresponding to 27 / 04 / 2009). The Company has recently obtained the approval of SAMA according to letter no 351000131835 dated 20 / 08 / 2014G on increasing the Company's capital by 20,000,000 Saudi Riyals through offering Rights Issue. After completion of subscription in the New Shares, the capital will become 400,000,000 Saudi Riyals divided into 40,000,000 Ordinary Shares at SAR 10 per each. The decision of the Company's Board of Directors was issued on 27 / 06 /1435H (corresponding to 27 / 04 /2014H) recommending to increase the Company's capital.

4-6 Founding Shareholders and Existing Shareholders.

The following table shows the Founding Shareholders of Al-Rajhi Takaful Company.

Table 4-1: The Founding Shareholders

No.	Name	Ratio	# of shares	The nominal value
1.	Al Rajhi Investment Banking Company	22.5%	4,500,500	45,000,000
2.	Al Rajhi Insurance Company Ltd, Bahrain	22.5%	4,500,500	45,000,000
3.	Oman Insurance Company, UAE	10%	2,000,000	20,000,000
4.	Qimmat Al Ramtan Company	5%	1,000,000	10,000,000
5.	Ahmad Suleiman bin Abd Alaziz Al Rajhi	1.5%	300,000	3,000,000
6.	Sultan Abdallah Al Rajhi	1.5%	300,000	3,000,000
7.	Saud Abdallah Suleiman Al Rajhi	1.5%	300,000	3,000,000
8.	Saleh bin Mansour Al Jarbou'	1.5%	300,000	3,000,000
9.	Abdallah bin Omar bin Qassim Al Esa'i	1%	200,000	2,000,000
10.	Saleh bin Nasir bin Abd Alaziz Al Saree'	1%	200,000	2,000,000
11.	Suleiman bin Mohammad bin Suleiman Al Rumaih	0.5%	100,000	1,000,000
12.	Mohammad Abdul-Rahman Al Faraj	0.5%	100,000	1,000,000
13.	Khalid bin Mohammad Al Turki	1%	200,000	2,000,000
14.	Subscribers from public	30%	6,000,000	60,000,000
	Total	**100%**	**20,000,000**	**200,000,000**

Source: Al Rajhi Takaful.

The Following table shows the existing shareholders for Al Rajhi Takaful as on 2/11/2014 AC.

Table 4-2: The existing shareholders

No.	Name	Ratio	# of shares	The nominal value
1.	Al Rajhi Investment Banking Company	22.5%	4,500,500	45,000,000
2.	Al Rajhi Insurance Company Ltd, Bahrain	26.5%	5,300,300	53,000,000
3.	Oman Insurance Company, UAE	6%	1,200,000	12,000,000
4.	Ahmad Suleiman bin Abd Alaziz Al Rajhi	1.5%	300,000	3,000,000
5.	Sultan Abdallah Al Rajhi	1.5%	300,000	3,000,000
6.	Saud Abdallah Suleiman Al Rajhi	1.5%	300,000	3,000,000
7.	Saleh bin Mansour Al Jarbou'	1.5%	300,000	3,000,000
8.	Abdallah bin Omar bin Qassim Al Esa'i	1%	2,00,000	2,000,000
9.	Saleh bin Nasir bin Abd Alaziz Al Saree'	1%	2,00,000	2,000,000
10.	Khalid bin Mohammad Al Turki	1%	2,00,000	2,000,000
11.	Suleiman bin Mohammad bin Suleiman Al Rumaih	0.5%	100,000	1,000,000
12.	Mohammad Abdul- Rahman Al Faraj	0.5%	100,000	1,000,000
13.	Subscribers from public	35%	7,000,000	70,000,000
	Total	**100%**	**20,000,000**	**200,00,000**

Source: Al Rajhi Takaful.

4-7 Company's business strategy

By giving our customers the utmost of our attention and dedication to meet their insurance needs and exceed their expectations,Al Rajhi Takaful Company will provide a distinct first-class service to the highest levels of professionalism to promote the Company's steady growth in terms of sales and market share as well as to generate profits. It will also work to overcome the challenges in the market by harnessing all available resources, the most important is the committed team who enjoys high international experience in the insurance business, powered by the latest information management technology.

The Company also aims to activate the Takaful Insurance Law compatible with Islamic law in the Saudi market and increase penetration of Cooperative through well-studied sales channels that link our partners, the clients, institutional and individuals, with our products which they need to proceed with their businesses and lives with a high level of safety and peace of mind.

To achieve this, the company developed a number of effective strategies including products strategy, reinsurance strategy, sales and marketing strategy, investment strategy, and human resources strategy, and Shariah audit strategy.

• Product Strategy

Al Rajhi Takaful offers a wide range of Takaful products to the business sector, members of the community, its units (family) and also health care, which provides peace of mind and safety in various aspects of life. There are three main categories of products as follows:

Health Takaful products

Al Rajhi Takaful Company provides integrated health plans, practical and flexible to suit the needs of all customers to enable them to choose between four plans which are fully compatible with the Laws of the Council of Cooperative Health Insurance. It provides health care services through a network of contracted hospitals which covers all medical specialties in all parts of the Kingdom. We provide each client a private health insurance card to ensure access to medical service that suits their privacy. The Company also provides a telephone hotline that receives customer calls and inquiries and requests 24 hours a day, 365 days a year. Qualified medical staff receives calls and give any help in the case of any emergency.

We are keen to provide the best levels of care without pushing the customer's to face the cash payment or transactions and administrative procedures of treatment applications, or wait for monetary compensation.

General Takaful Products

They include Motor Insurance (All Risks and third Party Liability), Corporate motor insurance, engineering insurance, and construction work insurance covering contractors risks and construction/building risks, home insurance, properties against fires and risks insurance, Marine insurance, workers compensation, fidelity insurance, travel insurance (for individuals and companies), legal liability, money transport, equipment and machine breakdown, professional risks, medical errors insurance, and the insurance against errors and omissions.

Family Takaful Products of

Include Family Takaful (Protection and Saving), and groups insurance plans (companies). Family Takaful products provides product for family protection in case of death or disability. These products help in providing adequate savings and continuously obtaining the necessary income to maintain the living level and covering the daily expenses and achieving the family's objectives such as teaching the children, pension and insuring valuable options such as paying the real estate mortgage.

• Reinsurance strategy

The Company re-insures for all of its products according to three main categories previously mentioned. The method of reinsurance varies according to different kinds of insurance, ranging from a specific percentage and a fixed amount based

on the agreements signed between the Company and the global reinsurance companies with credit rating not less than BBB according to the Implementing Regulations of the Cooperative Insurance Control Law issued by SAMA.

We would like to indicate here that the relativity agreements are executed under the leadership of (Swiss Re), and the other agreements are executed under leadership of ACR for re-Takaful, GIC and Lloyds Syndicate, regarding the non-marine insurance, Motor Insurance and the marine insurance (XOL) respectively.

Additionally, the accumulated activities of the Company regarding various groups of insurance are protected according to the (excess of loss treaty), and the Company will execute all the reinsurance activities in 2015 through Takaful reinsurers according to the directions of the Shariah Board.

- **Sales and Marketing Strategy**

Products are available for two different sectors, individuals and institutional (business) sector.

Sales channels of the business sector are as follows: direct sales team at all branches of Al Rajhi Takaful brokers and Al Rajhi Bank branch network, according to the agreement with the bank. The main revenue sources are:

- The non-insured small and medium companies (they constitute a majority).
- Leading and large companies.
- The new projects in the Kingdom specially the infrastructure projects.
- The governmental enterprises.
- The group of Al-Rajhi companies, local and international.

As for the individuals sector (retail), this includes the sale of insurance products to individuals and families residing in the Kingdom. The target group in this sector is men between 35-54 years old, whose income reaches 5000 Riyals and more, and women in the same age group who belong to a high monthly income. The Company currently owns (23) branches at the level of the Kingdom to sell the individuals products. The future vision of the Company is to own comprehensive and large branches to cover the market and serve the customers. The Company also benefits from the women branches network of Al-Rajhi bank, to reach the women group according to the agreement signed with the Bank, and sales stations include the direct sales group in the Company's network, in addition to Al Rajhi bank, while the main income resources for this sector are as follows:

- The Compulsory insurance (Motor, Health and other types).
- Educated individuals who are aware of the insurance benefits.
- Vehicles owners, houses and the travelers abroad.
- Medical insurance for individuals.

The Company also has a marketing team that aims to increase the Company's social awareness, support the launch of new products and assist in the sale of available products, and the cooperation and participation in all educational campaigns insurance.

The investment strategy

The Company will focus on executing the investment strategy in favor of Al Rajhi Takaful" and the Subscribers Fund which is managed but it, which complies with the Islamic Shariah and in line with the directions of the Investment Committee of the Board, and the directive principles of this investment strategy.

There are three main objectives, ordered according to the priority for the approved investment strategy of the Company within the frame of the Islamic Shariah as follows:

- Firstly: Safety: safety and maintaining the invested capital in the portfolio represents the first investment objective.
- Secondly: Liquidity: guarantee transformation of investments to cash – without big loss in the capital – to meet any expected or unexpected obligations.
- Thirdly: The Revenue: investment policies will be designed in a way that guarantees realization of reasonable returns with medium level of risks.

Following are the guidelines followed by the Company upon investment:

1- All investments must completely comply with Islamic Shariah.

2- All the investments must be according to the regulation of SAMA and the investment objectives of the Company.

3- The end aim of investment must be in favor of Al Rajhi Takaful and the Contributors Fund which is managed by it.

4 - Diversification of investment according to the assets group, region, industry and others to limit the potential risks.

The investment is the responsibility of the Executive Committee of the Board of Directors provided that the investments shall include: bank deposits, shares, investment funds, real estate, property and Sukuk. There are also non-compliant investments with Islamic Law, such as: debt financing investment and financial derivatives. Other investments must be approved by SAMA and Investment Committee.

- **Information Technology Strategy**

The Company spends a lot of money and effort on the development of plans and information systems, due to the great importance of information technology in the success of the Company and strengthening its position, as the Company aims to provide all the means that will help to achieve customer satisfaction.

- **Human Resources Strategy**

The Company follows different strategies to strengthen its position among competitors. The Company focus is always to achieve the required percentage of Saudization program. It also plans to create a development program for training and support Saudi employees and equip them with the skills and experience. The Company believes that the skills and qualifications of staff are key factors to outperform competitors and success in the market. It also believes that success in the long run is based on attracting qualified staff and development and retain them. Hence, the Company invest in training of its staff as necessary.

- **Shariah Audit Strategy**

The Company is keen to comply with Shariah principle, and hence, the Company has formed a Shariah Board comprising Shariah experts to work on the Company's plan to draw about commitment to the requirements of the Shariah approach in all transactions and products, whose duty is the continuous assessment of the legitimate performance of the Company, and control all of its activities through resident control body that enjoys powers to detect irregularities that may occur in the Company's transactions, and work on the Shariah compatibility of their products and programs according to the directives of the Shariah Board,(Shariah body) and the development of procedures to monitor the legitimacy of the Company's activities in accordance with the necessary provisions of Islamic Shariah.

4-8 Products and services

The Company conducts insurance activity inside the Kingdom of Saudi Arabia, according to the following divisions:

- General insurance that includes some products such as Motor Insurance, Engineering Insurance, Fire Insurance, General accidents insurance and the Marine Insurance.
- Health insurance, which includes offering health Insurance Plans for individuals and groups according the market requirements according to the Cooperative Health Insurance Law.
- Protection and Saving Insurance: which includes offering Individuals and Groups Insurance Plans, e.g. investment retirement, groups insurances and debts insurance.

Following are the most important policies that Al Rajhi Takaful presents:

Table 4-3: The Company products

Product Name	Product description	Date of approval	Type of approval	Expiry date of approval
1- Health Insurance Policy				
	The contributors act jointly to share the consequences resulting from health risks that happen to some of them against the premium they pay to the Contributors Fund, where the fund covers the care expenses within the network of health care providers. Based on the requirements of its customers, Al Rajhi Takaful designed the health Takaful plans in four levels of covering 29 / 2 /1431H Final	29.2.1431H	Final	
2- Motor Insurance Policy				
A) third party liability motor insurance	The plan provides Motor Insurance against detention when traffic accident occurs, this insurance is related to the vehicle. It covers the legal responsibility for the subscriber who should pay to the others as a result of a car accident. It also covers the injuries resulted from the accident	5.11.1435H	Temporary	7.2.1436H
B) All risks Motor insurance Policy	It is a policy for cover against third parties in addition to covering the insured (the driver and his vehicle)	5.11.1435H	Temporary	7.2.1436H
3- General Insurance				
A) Takaful plan to cover personal accidents	It covers any accident that results in death or total disability (where a person loses his ability to work totally and permanently) or partial permanent disability, in addition to medical treatment expenses in the hospitals within the agreed upon coverage.	27.12.1435H	Temporary	12.61436H
B) Contractors all risks insurance policy (CAR)	This policy covers all damages to equipment and machines and the surrounding properties at site of construction and civil projects. It also covers the civil responsibility towards the others for bodily injuries or the diseases of third parties and the losses of others properties.	7.12.1431H	Final	
C) All installation risks insurance (EAR)	This policy covers any loss or damage resulted from the equipment or machines installation contract at site. It also covers the civil responsibility towards the third party (toward others) regarding the bodily injuries or diseases of others and the damages and losses that occur to others properties	7.12.1431H	Final	
d. Construction machinery and plant risks insurance policy (CPM)				
	This policy covers the damages and losses that result from sudden accidents, or physical unexpected damage of the subscriber's equipment and machines in the construction site. It also covers the civil liability for the third party regarding the damages result from machines which might lead to death or physical injuries	7.12.1431H	Final	

or diseases or damages of properties as a result of insured properties			
e. Machine breakdown insurance Policy (MB)			
This policy covers what happens to the machines and equipment inside the factory as a result of a sudden and unexpected loss or material damage, it is possible to add the risks of the breakdown of machines and stop the work	7.12.1431H	Final	
f. Fire insurance policy and associated risk (FAP)			
This policy covers any material damages of the properties resulted of fires and lightning, and the risks associated with fire. The plan covers the sector of bank, factories, hospitals, warehouses, commercial stores, offices, houses, including their contents such as factories machines, raw materials, stocks, finished goods, spare parts, office equipment, house utilities furniture, fixtures and equipment,…etc.	7.12.1435H	Temporary	12.6.1436H
g. Properties all risks insurance policy			
This policy aims at insuring the properties including all types of real estates, machines, equipment, raw materials, goods, works under construction, spare parts if they are exposed to any material damage.	7.12.1435H	Temporary	12.6.1436H
h General civil liability policy and third party liability (PLI)			
It covers the amounts due on the insured which should be his responsibility to pay them either to persons or properties that result from the commercial activity of the insured.	7.12.1435H	Temporary	12.6.1436H
I. Employees fidelity Policy (FG)			
This policy covers the employer against the financial losses and damages that might happen as a result of the employees misconduct during their work or any fraud, theft or unethical behavior of the employees.	7.10.1431H	Final	
j. Medical errors insurance policy			
This policy covers the amount resulted from any error of medical malpractice or neglect or oversight happen during conducting his job	7.12.1435H	Temporary	12.6.1436H
k. Money Insurance policy(MI)			
This policy covers any loss might happen to the money or the safe or any room devoted to storage of money as a result of theft, burglary, or theft attempt when occurs in the Kingdom of Saudi Arabia. This plan also	16.11.1431H	Final	

	covers any loss or damage occurs to the safe or any room devoted to store money as a result of theft or theft attempt during transportation (in the site of joint work in the residence of any official manager or an employee under control of the subscriber, or when the funds are in the Company's safe at night to transport them to any licensed bank)			
l. Workers injuries insuring policy				
	This plan covers any legal responsibility might occur to the employers according to the Saudi Labor Law, which led to paying financial compensations for his employees when they are exposed to death or injury or disease or disability as a result of accident during worktime.	25.2.1432H	Final	
m. Marine insurance policy				
	The contributions fund under this policy covers what happens during marine shipment by the subscriber, of damage, losses, or shortage, either during goods fright or transport or unloading from the country of origin to the country of importer within the limits of coverage mentioned in the policy and according to its terms: This plan is distinguished by the possibility of tailoring it according to the needs of the commercial activities, as this plan is available in three standard coverage , the customer can choose any of them.	27.12.1435H	Temporary	12.6.1436H
n. Land transport insurance policy				
	This policy covers the damages and losses that happen to the goods transported by land in the Middle East and the Gulf in favor of the owner of the shipment and not transport company since it exit from the factory or the port until its arrival to the customer. Takaful plan for land transport covers all losses and damages that happens to the goods during transportation by land totally or partially as a result of one of the following reasons: - Turndown, clash, or inflammation of the transportation means (oil tankers, load) - Trains deviation or bridge collapse during loading or unloading from the track. - The accidents that occur at transshipment from one shipment to another.	27.12.1435H	Temporary	12.6.1436H
o. Travel insurance policy				
	This plan covers the risks that might face the subscriber in Takaful during his trip such as: trip delay,	19.9.1431H	Final	

	loss of luggage, emergency and Takaful coverage, also includes covering the medical expenses and the legal responsibility as a result of any violation of the subscriber to the regulations of the destination country and the personal accidents			
p. Home insurance policy				
	This policy covers any loss happens to the house or its contents or the buildings annexed to it, in addition to rental amounts and the alternative housing costs if the house is exposed to any damage within the plan and it also covers third party liability and personal accidents resulted from covered damages occur to the house	27.12.1435H	Temporary	12.6.1436H
q. Protection and saving policy.				
a. Family Takaful policy				
	This plan provides protection for families at reasonable price. It is considered the best Takaful plan for saving and it can be tailor-made to meet the personal and commercial needs	18.1.1432H	Final	
b. Group life Takaful policy				
	It is an annual group renewable contract presented to firms and organizations and entities to protect their members against any risk	27.12.1435H	Temporary	12.6.1436H
c. Group debt Takaful policy				
	To cover the financial obligations for borrowers in case they are unable to pay as a result of death, total permanent disability	22.9.1431H	Final	

The Company has many products planned to be added in 2015 as follows:

1. Electronic equipment insurance policy

It is an annual policy covers material losses or damages for all electrical equipment including computers, devices of media and electric data against fire and risks associated with fire, devices collapse, burglary and others.

2. Shops owners insurance policy .

It is an annual policy covers the stores' contents against material losses or damages resulted from fire and the assocated risks. It covers any losses related to rents, workers compensation and general liability to the extent allowed by the policy.

3. Security extension insurance policy

This policy covers an additional security period exceeds the granted guarantee by car manufactures.

4. Vandalism and terrorism insurance policy

This policy compensates for any material loss or damages occurs to buildings, machines, equipment's and inventory as a result to vandalism of terrorist acts.

5. Value guarantee insurance policy

It is an insurance policy that covers the different between the book value of the car which is purchased by a loan, and the compensation value of the car in case of total loss as a result of an accident. The book value means the loan value minus any paid installments by the customer.

The Company does not have any commercial activity or any substantial part of assets outside the Kingdom of Saudi Arabia.

4-9 Sale of products through the Internet.

The Company launched the sale of some insurance products through its electronic sites such as Motor Insurance, health insurance, travel insurance and personal accidents, in addition of sale through the electronic points of sales (EPOS) and mobiles. Al Rajhi Takaful plans to reinforce its products that can be bought electronically during 2015G, and this includes insurance against medical errors.

4-10 Reinsurance

The Company reinsures part of the underwritten risks in order to reduce the exposure of the Contributors Fund to deficit risk, and it works for stabilizing its profits and protecting the resources of its capital, according to the Implementing Regulations in force as the Company effects reinsurance through a group of proportional or non-proportional agreements. The proportional agreement has been signed with (Swiss Re) and the non-proportional agreements are being arranged with (Re Takaful CR) and (GIC) and (Lloyds Syndicate) regarding non marine insurance, Motor Insurance, and the marine insurance respectively.

Additionally, the cumulative activities of the Company that relates to various sets of insurance are protected by the agreement of increasing the loss.

The following table shows the reinsurance companies that the Company deals with

Table 4-4: the reinsurance companies that the Company deal with

Re-insurer name	The party which grants the classification	The credit classification	Country	The situation
Swiss Re	AM Best	AA-	Switzerland	Stable
Hannover Re- Takaful	S&P	A	Bahrain	Stable
Munich Re	S&P	AA-	Malaysia	Stable
The companies contracted with through Shadeed Company				
ACR Re Takaful	S&P	A-	Bahrain	Stable
MNRB	AM Best	A-	Malaysia	Stable
Trust Re	AM Best	BBB	Bahrain	Stable

Takaful Re	S&P	BBB	UAE	Stable
GIC	AM Best	A-	UAE	Stable
Saudi Re	S&P	BBB+	KOS	Stable
Lioyds Syndicate	AM Best	A	UK	Stable
Al Fajer Re	AM Best	B++	UAE	Stable

Source: Al Rajhi Takaful.

4-11 The technical allocations (Reserves)

The reserves are calculated according to the requirements of SAMA based on recognized accounting standards of SOCPA after approval of the actuary expert, including the Company's liabilities. These reserves include:

- **Un earned Takaful Contributions Reserve**

The technical reserves related to policies the validity of which extends after the end of the financial year calculated for the period in which these policies are in force.

- **Reserves of the Outstanding Claims.**

The technical Reserve related to the reported claims, but not paid, in addition to none reported claims.

- **Re Takaful Unearned Fees**

Re Takaful Fees are deferred and amortized using the straight–line method over the period of Takaful contracts related them.

- **Costs of Deferred written insurance policies**

The fees and other costs related originally to buying and renewing Takaful contracts are capitalized as intangible assets, and they are amortized in the future over the period of Takaful contracts related them on the basis of the coverage period of the Takaful contracts related to them.

There are no other allocations or reserves not mentioned in this section.

4-12 Strength points and the competitive advantages

The Company's competitive advantages include:

- **Shariah Compliance**

What distinguishes Al Rajhi Takaful Company from some of its competitors is the existence of a specialized body to oversee the legitimacy of all the Company's operations and products to ensure their conformity with the priciples of Shariah.

- **Market widespread distribution channels**

Al Rajhi Takaful has a wide range of channels that allow easy delivery of the Company's products to customers.

- The Company has a network of more than 23 branches in the Kingdom for the sale of individual products. The future vision of the Company is to own a comprehensive and large branches of market coverage and customer service while continuing to follow the direct service of each product policy.
- The strategic association of the Company with Al Rajhi Bank provides a strong base to the Company's growth, as the branches of Al Rajhi Bank are widespread throughout the Kingdom. The Company offers its plans to the clients of Al Rajhi Bank pursuant to the distribution and services agreement (please see "Summary of Major Contracts" section, page 150 hereof). Takaful plans are marketed through Al Rajhi Bank by direct sales team, selling investment team, representatives of the customer service center, banking service team, phone banking service, corporate accounts and walk-in customers.
- In addition, as mentioned, products are also marketed through direct sales team and intermediaries, through specialized sales teams stationed in the three regional offices of the Company, as Al Rajhi Takaful targets companies through Takaful products required by businesses.
- Electronic sales channels, that include the sales through the Company's web site, the electronic points of sales (EPO'S) in addition to sales through the mobile.

- **High diversity portfolio of products and high quality reinsurance agreements**

Al Rajhi Takaful provides its customers, whether individuals or institutional, a comprehensive range of Takaful plans

that suit their needs and requirements, and are compatible with the provisions of Islamic Shariah. These products are formulated by people who have high expertise and ability to create unique Takaful solutions. All Takaful 's offers are concluded pursuant to contracts that illustrate the level of service provided.

The Company also concludes reinsurance agreements with companies that have (AA) credit rating, and therefore, this is reflected in the quality of the portfolio in terms of the distribution of Takaful risk.

4-13 Revenues

Al-Rajhi Takaful provides many Takaful policies as mentioned above, which can be summarized with four major services: protection and saving Takaful services started in 2014, Health Takaful services, General Takaful and Motor Takaful services, which is considered as a separate section by itself and not included in the general Takaful as mentioned previously because of its relative importance and its big size.

The following table shows the total revenues from insurance contributions in details for the main services during the previous three years.

Table 4-5: Total Contribution Revenues by service (SAR'000)

Type	2011	2012	2013
Motor Takaful	233,827	379,988	437,698
Health Takaful	201,517	125,067	189,407
General Takaful	58,000	95,809	62,557
Total	**493,344**	**600,864**	**689,662**

Source: Al Rajhi Takaful.

4-14 Marketing and Promoting Activities

To promote Takaful plans, the Company targets individual and business clients, but it relies basically on Al Rajhi Bank to promote its plans to its customers, as it signed an agreement with the Bank to promote the Company products inside the Kingdom of Saudi Arabia through its branches and representatives of customers service and the accounts of businesses (please refer to section: "Summary with most important contracts and agreements) Page (150).

4-15 Customer Services

According to the agreement signed between the Company and Al Rajhi Bank, customers are served through the representatives of customer service, at al Rajhi Bank, according the Bank's quality service standards. High quality is a basic element on which the Company relies to support its vision and mission.

4-16 Information Technology

Al-Rajhi Takaful developed an enterprise applications program which provides a comprehensive environment to support sales and provision of services to its customers in a seamless and integrated manner. It planned to integrate the major administrative systems, Eskadenia and PentaSoft with a various set of systems to facilitate the integration of the Company's operations and reinforce the customer's experiences. This program provides the following improved activities to protect the activities:

- Management of customer relation services CRM and customer interface 360.
- Workflow and business process automation which controls the work automatically, and follows up the procedures and control of treatment units.
- Corporate MIS & Data Warehouse, which provides information for the Company about all metrics and dashboards, where the Company can make informative and timely decisions, and treatment of data also can be through reliance on the information stored in the warehouse.
- Enterprise Finance systems. They are central financial plans through the business lines of the Company, that provide corporate resource solutions and planning prepared for this purpose.
- Internet / Intranet portal, that provides integrated terminal systems help in access to multiple systems, and they also provide the smooth integration through the various applications either for internal or external customers.
- Enterprise Integration: It provides a framework to integrate the enterprises for different systems to deal with various environments.

Al Rajhi Takaful selected (Eskadenia Insurers Medical) and (General Suite of applications) from Eskadenia systems to sell the general insurance products and health insurance. Eskadenia insurers will be the main system for Al Rajhi Takaful Company to execute the general Takaful activities and the health Takaful .

4-17 Training activities

There is ongoing supervision on the real performance of the Company's employees. The Company is interested to train its employees to polish their skills and develop their abilities in all activities related to the operations, sales, administration and commitments and others. This comes as a part of the Company's strategy to retain a high level of the work quality in general. The Company is aware of the latest training courses which are presented by the training institutions, here below, are the most important training courses, the Company participated in, during 2013 and 2014.

- Insurance Fundamentals
- Negotiation skills.
- Money laundering regulations.
- Anti-fraud.
- Individuals insurance policies .
- Corporate insurance policies.
- Microsoft office.
- Time management.
- Management skills.

The courses were specified for employees according to their needs, in cooperation with the line manager, where 59 training course were held in 2013, featuring 439 employees, and during 2014, 22 training course have been held, featuring 135 employee.

4-18 Research and Development

The Company has no policies for research and development.

4-19 Information about the investee companies

The Company invested in one company only, i.e. Najm for Insurance Services, a Saudi closed joint stock company with a capital at 50,000,080 Saudi Riyals, headquartered in Riyadh, and its main activity is insurance services. Al Rajhi Takaful share is 3.846% of Najm capital.

Table 4-6: Information about the investees

Name of the investee	Najm for Insurance Services
Legal form	Saudi closed joint stock company
Major activity	Insurance services
Country where it conducts its operation	Kingdom of Saudi Arabia
Country of incorporation	Kingdom of Saudi Arabia
Capital	50,000,080 Saudi Riyals
Share of Al Rajhi Takaful Company	3.846%

Source: Al Rajhi Takaful.

4-20 Business interruption

Al Rajhi Company for Cooperative Insurance confirms that it has not experienced any business interruption that may affect or have affected materially its financial condition during the last twelve months.

5- Company Structure

5-1 The Main Founding Shareholders

Presented below is an overview about the Founding Shareholders of the companies that own 5% or more from the Company capital as on 02/11/2014G.

• Al Rajhi Insurance Company Ltd – Bahrain.

It was established in 1990 with a paid up capital of (1,000,000) Bahraini Dinars, equals to (SAR 9,945,800). It is a closed Bahraini joint stock Company, pursues all types of insurance, guarantees and compensation activities and investment in funds and properties. Here below is a table shows the names of the Company's Founding Shareholders.

Shareholders	Ratio of ownership
Abdullah Sulaiman Abdul Azeez Al Rajhi	51%
Sultan Abdullah Al Rajhi	49%
Total	**100%**

Source: Al Rajhi Takaful.

• Al – Rajhi banking company for investment.

Al Rajhi Bank was established in 1988, and considered one of the largest Islamic banks in the world with a paid up capital of SAR 16.25 billion. The bank relies on Islamic banking principles and plays a major and substantial role in closing the gap between the recent banking requirements, and the core values. Here below is a table shows names of shareholders who own more than 5% of the bank.

Shareholders	Ratio of ownership
Suleiman bin Abdul Aziz Al Rajhi Awqaf Company	18.7%
Abdullah Abdul Aziz Saleh Al Rajhi	6%
GOSI	1.1%

Source: Al Rajhi Takaful.

• Oman Insurance Company– UAE

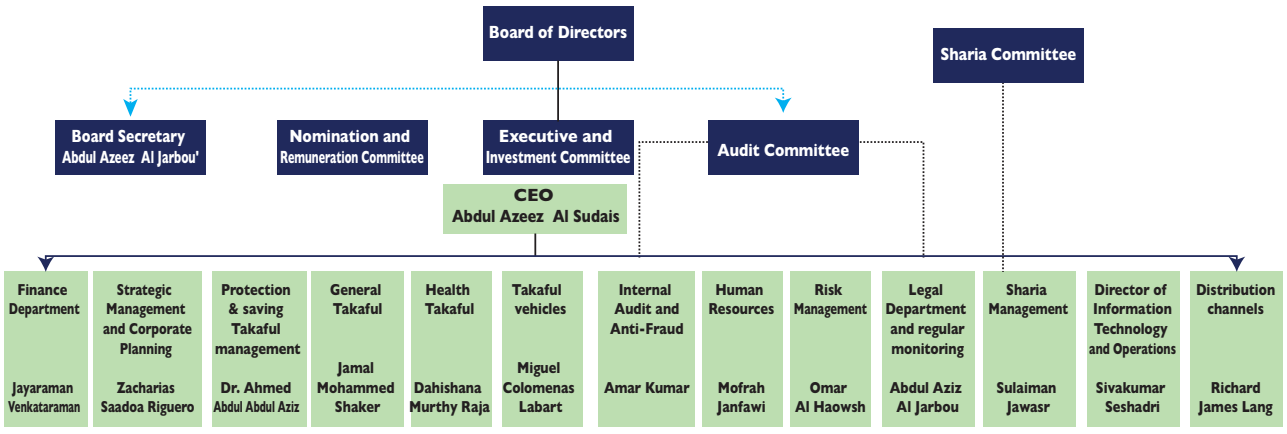
Established in 1976G as an Emirate limited liability company, then it was transformed in 1986 to a am Emirate joint stock company, with a capital equals to 461,872,000 Emirate Dirham or equivalent to 471,619,183 Saudi Riyals. It pursues all types of insurance activities. Here below is a table shows the names of shareholders who own more than 5% of the above mentioned company.

Shareholders	Ratio of ownership
Al Mashriq Bank Ltd (public joint stock company)	63.65%
Al Thahri Group – Abu Dhabi	5.017%

Source: Al Rajhi Takaful.

5-2 The organizational structure of the Company

Management of Al Rajhi Takaful set an organizational structure optimized in manner to guarantee smoth interaction in taking decisions, and the speed of information flow. The following figure shows the Company's organizational structure.



5-3 The Company's Board of Directors:

The role of the Board of Directors of Al-Rajhi Takaful is represented by setting the general strategies and the financial objectives for the Company's activities, and approving all the financial reserves and budgets. It supervises the flow of work by its various committees according to the Company's objectives to achieve them and it is committed to these objectives. It also protects the shareholders' interests by guaranteeing the full commitment with all the applicable laws and regulation in the Kingdom according to the articles of association and the governance regulations of the Company, and implemented by the Board.

The Board of Directors consists of 8 non-executive members; all are of high experiences and qualifications locally and internationally.

Some members of the board represent some Founding Shareholders, i.e. Al Rajhi Bank and Al Rajhi Insurance Company - Bahrain as shown in the following Table:

Table 5-1: Members of the Board of Directors

No.	Name	Position	Representation	Capacity	Nationality	age	No. of shares	Direct ownership	Indirect ownership
1	Abdullah bin Suleiman Al Rajhi	Chairman of the Board	Al Rajhi Insurance Company Limited-Bahrain	Non-executive / non-independent	Saudi	56	-	0%	13.97%
2	Ahmed bin Suleiman Al Rajhi	Board Member		Non-executive / non-independent	Saudi	47	300,000	1.5%	0%
3	Saud bin Abdullah Al-Rajhi	Board Member		Non-executive / non-independent	Saudi	33	300,000	1.5%	0%
4	D.Waleed bin Abdullah Al Moqbil	Board Member	Al Rajhi Bank	Non-executive / non-independent	Saudi	39	-	0%	0%
5	Moayad bin Issa Al Qurtas	Board Member		Non-executive / non-independent	Saudi	68	1,000	0.005%	0.00006%
6	Ahmed Samer bin Hamdi Al Zaeem	Board Member		Non-executive / non-independent	Saudi	50	16,000	0.08%	0.0004%
7	Abdul Aziz bin Saleh Alothaim	Board Member		Non-executive / non-independent	Saudi	55	1,000	0.005%	0%
8	Mohammed bin Omran AL Omran	Board Member		Non-executive / non-independent	Saudi	49	1,000	0.005%	0.00008%

Source: Al Rajhi Takaful.

Note: No member of the board of Directors will own 5% or more of Al Rajhi Takaful Company according to article (38) of the regulations of control of the cooperative insurance companies.

Note: The shares owns by members of the board of directors that equal to (1,000 shares), entitlement to enter the membership of the board according to article (68) of the companies regulations.

Experiences and qualifications of the members of Board of Directors

Here below is about experiences and qualifications of the members of boards of directors.

Name	**Abdullah bin Suleiman Al Rajhi, Non-Executive**
Nationality	**Saudi**
Qualifications	Holds a bachelor degree in Business Administration from King Abdul Aziz University in the Kingdom of Saudi Arabia in 1978. He attended many training courses in Citibank and Cranfield Administration institute in U.K. He has many participations and lectures externally and internally, that include for example two lectures in the Islamic financial and banking forum in Abu Dhabi and Manamah.
Experience	Vice Chairman since 2012, member of the executive committee since 1996 in Al Rajhi Bank which is engaged in the banking business. He also held many positions in the committee as the representative member and the chairman and general manager, as he joined the bank in 1979
Memberships in other Boards	Chairman of board of managers in Fursan Travel and Tourism Company since 2007, which is a limited liability company that conducts travel and tourism activities. Chairman of each of Al Rajhi holding group since 2009 which is a closed joint stock company works in the business of construction and investments; Farabi Petrochemical Company since 2002G, which is a closed joint stock company engaged in petrochemicals production; and Al-Arrab Contracting Company since 2012G, which is a closed joint stock company. Deputy Chairman and member of the executive committee since 1996 in Al Rajhi bank, which is a joint stock company works in the banking services business.

Name	**Ahmad bin Suleiman Al Rajhi - Non-Executive**
Nationality	**Saudi**
Qualifications	Holds a bachelor degree in industrial engineering from King Fahad Petroleum and Minerals University in 1989.
Experience	CEO of the National Industrial Group since 1997, which works in the business of manufacturing the foodstuff, plastic and cartoon.
Memberships in other Boards	Chairman of each of TrioMada Plastic International Company since 2006, which is a closed joint stock company works in the plastic manufacturing, Injaz Company for construction development since 2012, which in a closed joint stock company works in the business of real estate development. He is the chairman of Board of Managers in Al Ard Company for real estate investment and development since 2007, a limited liability company works in the business of investment and real estate development. He was chairman of Al Arrab Contracting Company from 2003 until 2011, which is a closed joint stock company, works in the business of contracting and construction. He is Vice Chairman in the following companies: Al Rajhi holding company since 2009G, which is a closed joint stock company works in the real estate and industrial and commercial business, Hayel Cement Company, since 2011, which is a joint stock company works in the business of cement production. He is member of the Board of Directors in the following companies: Farabi Al Khaleej Petrochemicals Company since 2002, which is a closed joint stock company works in the business of petrochemical manufacturing; ACWA Power Company, since 2008, which is a closed joint stock company works in the business of

	production of power production and water desalination; and Riyadh Valley Company for technology since 2010, which is a closed joint stock company engaged in the business of technical devices and software. He is also a member in the Board of Directors of the Advance Petrochemical Company since 2005 until 2013, which a joint stock company engaged in petrochemicals.

Name	**Saud bin Abdullah Al Rajhi - Non-Executive**
Nationality	**Saudi**
Qualifications	None
Experience	General manager in Takatuf Holding Company, which is engaged in participation in companies and controlling them, general contracting, redemption and marketing since 2013. Before that he was the general manger of the industrial division for Al Rajhi Holding Company which is engaged in maintenance and establishing the commercial markets and complexes and cleaning buildings from 2008 until 2013.
Memberships in other Boards	A member in Board of Managers in each of IEB for managing investment in Singapore since 2008, a limited liability company engaged in investment and management in the real estate sector; Al-Fursan Travel and Tourism Company since 2009G, a limited liability company engaged in aviation and tourism and freight; Al-Tawfeeq company for plastic manufacturing and the woven bags Ltd since 2009, a limited liability company engaged in manufacturing women polypropylene bags .

Name	**Waleed bin Abdullah Al-Miqbil - Non-Executive**
Nationality	**Saudi**
Qualifications	Holds the PHD in counting and auditing from Cardiff university in UK in 2006 and a Master degree in finance from Southampton university in UK in 2003, and a bachelor in accounting from King Saud University in the Kingdom of Saudi Arabia in 1999G. He has also CPA fellowship in 2012G.
Experience	1999, and he holds the professional fellowship in accounting (CPA) in 2012. Head of the operations in Al Rajhi Bank which pursues its activities in the business of the financial services. He held the position of general manager of the financial group at Al Rajhi Bank from 2011 to 2013.
Memberships in other Boards	None

Name	**Muayad bin Issa al – Qirtas, Non-Executive**
Nationality	**Saudi**
Qualifications	Holds a bachelor degree in chemical engineering in 1968 from Baghdad University in Iraq. Holds also a PHD degree in administration from Bradford university in Britain in 2002G (through an intensive PHD program without master degree).
Experience	He worked as a general Manager during 1996 -2006, then appointed as the Managing Director from 2006 until middle of 2007G. He became the Vice Chairman and Managing Director in the middle of 2007 until 2013 in the National Industrialization Company, a joint stock company works in the business of establishing the industrial, chemical and petrochemical enterprises.

Memberships in other Boards	Vice Chairman in of Tasnee & Sahara Olefins Company since 2006. It is a closed joint stock company, and Vice Chairman of Saudi Ethylene & Polyethylene Company since 2006, a limited liability company, pursues its activities in the business of producing Ethylene and poly Ethylene. He is also a member of the Board of Directors of the pottery pipes company since 2007, a joint stock company works in manufacturing pottery pipes. He is also a member of the Board of energy manufacturing and energy services company (TAQA) since 2003, a closed joint stock company works in the business of manufacturing, Riyadh Cables Company Group since 2014G, which a closed joint stock company in manufacturing cables. He is a board member of titanium dioxide company since 1998G, a limited liability company engaged in the manufacturing titanium dioxide

Name	**Ahmad Samir bin Hamdi Al – Zaeem, Non-Executive**
Nationality	**Saudi**
Qualifications	Holds a bachelor degree in economics from New York State University in 1992 and a bachelor degree in business administration from the American University in Beirut in 1987
Experience	He is a member in the national industrial committee in the Saudi Council of Chambers since 2008, which works in the business of private sector in the Riyadh region, to care, protect and develop the private sector interests. He is also a member in the industrial committee, and a member in the exports committee in the Chamber of Commerce and Industry in Riyadh since 2004 which is engaged in protecting the interest of the industrial sector in Riyadh region.
Memberships in other Boards	Partner and member of the Board of the modern cables manufacturing company since 1996G, which manufactures cables. He is also a partner and a board member of: The international gulf company for trade and real estate investment since 2004, a limited liability company works in the business of investment and development of real estates; the international gulf company for houses equipment since 2010, a limited liability company works in the houses preparing and electrical and kitchens. He is board member of in the Saudi modern cables manufacturing company since 1996, a close joint stock company engaged manufacturing cables and wires and the Saudi company for manufacturing telephone cables since 1996, a closed joint stock company works in manufacturing telephone cables; Riyadh Cable Company since 1997G, a closed joint stock company works in cables manufacturing; the Saudi modern company for manufacturing of cables, minerals, and plastics since 1991, a closed joint stock company works in the business of cables, minerals and plastic; and Al Tayyar Travel and Tourism Group Company since 2005, a joint stock company engaged in travel and tourism.

Name	**Abdul Aziz bin Saleh Alothaim, Non-Executive**
Nationality	**Saudi**
Qualifications	General secondary school
Experience	CEO (chief executive officer) of Lazourdi company since 1980 until now, which engaged in jewelries manufacturing, and CEO of Abdullah Al- Othaim markets company from 2010 until 2011, which works in retail trading.
Memberships in other Boards	None

Name	**Mohammad bin Omran Al Omran, Non-Executive**
Nationality	**Saudi**
Qualifications	Holds a master degree in Engineering and Projects Management from South California university in U.S.A. in 1990G, and a bachelor in Civil Engineering from King Saud University in Riyadh.
Experience	He worked in management of commercial, industrial and real estate works , in addition to some family business investments since 1993 until now.
Memberships in other Boards	Board member in the following companies: Saudi credit Swiss since 2006, a closed joint stock company works in banking services and managing assets; Railways Organization since 2006, a governmental entity, works in managing Rail ways; STC since 2003, a joint stock company engaged in telecommunication services; and Sabb Bank since 2008, a joint stock company works in the business of banking and financial services.

Name	**Abdul Aziz Abdul Rahman Al Jarbou', Secretary of the Board of Directors.**
Nationality	**Saudi**
Qualifications	Holds a bachelor degree in law systems from King Saud University in Riyadh, the Kingdom of Saudi Arabia in 1997. He also holds a CCO (Certified Compliance Officer Certificate) in 2010, and another certificate as a specialist in compating money laundry and terrorism financing in 2009.
Experience	He has 15 years experience in the business of judicial proceedings, legal consultancies, Banking control, fighting money laundry and insurance activities. He Joined the Company in 2011 as a manager of the legal department and regulatory control and become the secretary of the Board of Directors in 2012. Before that he was manager of control and commitment in Al Rajhi Bank, Riyadh, Saudi Arabia Since 2005 – until 2011.
Memberships in other Boards	None

5-4 Remunerations of Directors and Senior Executives

The following table shows the total Remunerations paid to the members of Board of Directors of Al Rajhi Takaful for the previous three year.

Table 5-2: Remunerations of Board of Directors on Al Rajhi Taka full (Saudi Riyals)

2011	2012	2013
-	1,177,000	-

Source: Al Rajhi Takaful.

Members of Board of Directors of Al Rajhi Takaful declare that there is no ongoing contract or arrangement or to be arranged upon presenting the Prospectus, where any board member or any one of the senior executives or any of their relatives has any interest in the Company's works.

The following table shows the total salaries, bonuses and allowances paid to five of the senior executives including the CEO

and the financial manager for the previous three years.

Table 5-3: total salaries, remunerations, and allowances paid to five of the senior executives including the CEO and CFO for the three previous years (SAR million)

2011	2012	2013
3,25	3,15	4,37

Source: Al Rajhi Takaful.

5-5 Compliance with Governance

Based on its pursuit to to protect the interest of its Shareholders, AL Rajhi Takaful seeks to apply the highest levels of transparency and disclosure and partnership in taking decisions to achieve the Company's objectives and meet its customers' expectations. The Company is committed to apply all mandates of Corporate Governance Regulations issued by CMA in the Kingdom to protect the rights of shareholders and the various stakeholders through presenting a genuine and clear and fair picture of the Company's financial positions and the results of its operations.

Regarding the non-mandatory provisions, the Company is committed to apply them completely except those the company will seek to achieve in the future, as follows:

2011	2012	2013
6/B	Using the accumulative voting method at selecting the members of Board of Directors in the general assembly	The normal voting method has been used according to the Company's Articles of Association
6/D	Investors of legal persons who have the authority to behave on behalf of others to disclose their policies in voting and their real voting in the annual reports	The Company does not have the authority to oblige these parties to this period's requirements
12/h	Commit the legal persons, who have the right to appoint representatives on their behalf in the Board of Directors – not to vote on choosing the other members of the Board of Directors	The Company's articles of association do not prevent the representatives of the legal persons to vote on selecting the other members in the Board.

Also, the Company has effective systems and internal controls, internal audit department, with professional persons to conduct independent audits in the Company. The external auditors of the Company also present annual reports for the Board of Directors, in addition to the annual management letter and they don't provide other services in this context. The Company's governance framework is outlined below:

Shareholders General Meeting: Inform the shareholders with all main developments inside the Company through open communication channel, provide reports about the regular financial performance of the Company, and prompt individual's shareholders to participate in the annual meetings of the general assembly.

Board of Directors: It is completely responsible for the Company's activities in order to provide an effective leadership and retain an effective control system to protect the shareholders interest. the Board of Directors has been re-elected for the second term on 16 / 04 /2012.

Board balance: Most members of the Board of Directors consist of non-executive directors, in order to provide objective and balanced decision-making process by the Board.

Provision of financial information and other information: The Board is responsible for providing shareholders with a true and fair view of the Company's financial performance, and provide the necessary and accurate information to enable shareholders to exercise their rights during the general assembly of shareholders. In addition, there will be a mechanism to ensure providing the Board of with appropriate information in a timely manner to enable it carry out its duties effectively.

Board Committees: Board of Directors formed committees to enable them to ensure proper management of the Company.

Commitment to avoid conflict of interests of the members of the Board of Directors, shareholders and related parties.

5-6 Board committees

Al Rajhi Takaful Company Board of Directors formed committees comprising members from the board and independent members from outside . Board committees consist of the following:

5-6-1 Executive and Investment Committee

The Executive Committee consists of three members; all are members of the Board of Directors. The main tasks of the Executive Committee is to make recommendations to the Board regarding the vital topics such as strategic plans and business plans relating to the conduct of work, business and investment plans. In some cases; the Board authorizes the Executive Committee to carry out its tasks

The Executive Committee consists of members mentioned in the following table:

Table 5-4: Executive and Investment Committee

Name	Position
Abdullah Suleiman Al Rajhi	Head of Committee
Mohammed Omran Al Omran	Member of Committee
Waleed Abdullah Al Meqbel	Member of Committee

Source: Al Rajhi Takaful

The Biographies of Executive Committee are mentioned in pages 40-42.

5-6-2 Audit Committee

The audit committee comprises three members: one of them is a Board member. The main tasks of the Audit Committee are the activation of the recommendations of the Board of Directors with regard to supervising the internal audit department, and the study of accounting policies used and provide opinion and recommendation to the Board of Directors, and to study the financial reports of the Company and assess the adequacy of internal and external audits, as well as the recommendation to the Board of Directors for appoint, conclude and determine legal accountant fees and

service, with assurance of their independence, in addition to the adopting the publication of the financial statements before submission to the Board of Directors for review.

The Audit Committee consists of the following members in the table below:

Table 5-5: Audit Committee

Name	Position
Waleed Abdullah Al Meqbel	Head of Committee
Mohammed Omar Mylody Musial	Member of Committee
Fahd bin Abdul Rahman bin Mohammed Al Zumaie	Member of Committee

Source: Al Rajhi Takaful

The experience and qualifications of the Audit Committee members

Below is a summary of the qualifications and experiences of members of the Audit Committee:

Waleed bin Abdullah Al-Meqbel: As included in page (41)

Mohammed Omar Melody Meqbel: Audit Committee member, of Moroccan Nationality, 62 years of age. He Holds a BA degree in economics from the Faculty of Law and Economics from King Mohammed V University in Rabat, Morocco City in 1973, then earned a certificate of attendance for the first year and the second in the Master's economy in 1974 and 1975 from the same college. He has over 35 years of experience in the business of insurance and reinsurance. Joined the Audit Committee in 2014, has served as executive director of the Arab Insurance Group Bahrain from 1986 - 2011.

Fahd bin Abdul Rahman bin Mohammed al Zumaie: Audit Committee member, a Saudi national, he is 37 years old. He holds a Master degree of Accounting from the University of Illinois in Arbanat - Champaign, USA in 2004. He also earned a bachelor's degree in Economics and Business Administration in Accounting from King Saud University in Riyadh, Saudi Arabia in 1999. Also holds a US Board of Certified Public Accountants CPA from the American Institute of Certified Public Accountants (AICAP) in 2004. He has more than 13 years of experience in the business of accounting and financial management, joined the Company in 2012, and now serves as a financial manager in the Education Development Holding Company since 2013. He has previously held the position of Deputy Chief Financial Officer in the ACC since 2012 to 2013, and the Director of the Department of Management Information Systems in the financial management of Al Rajhi Bank from 2011 - 2012.

5-6-3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members, all of them are members of the Board of Directors. The main tasks of the Nomination and Remuneration Committee are recommendation to the Board of Directors nomination for membership of the Board in accordance with approved policies and standards, and the annual review required for the needs of the appropriate skills to the membership of the Board of Directors, a review of the structure of the Board of Directors and make recommendations regarding changes that can be made, and to ensure an annual basis of the independence of the independent members and the nonexistence of any conflict of interest if the member serves on the Board of another company, and to develop clear policies for compensation and remuneration of directors and senior executives.

The committee consists of members whose names are described in the following table:

Table 5-6: Nomination and Remuneration Committee members

Name	Position
Abdullah Suleiman Al Rajhi	Head Committee
Moayed Issa Qurtas	Member Committee
Waleed Abdullah Al Moqbel	Member Committee

Source: Al Rajhi Takaful

Biographies for members of the Nomination and Remuneration Committee as contained in the pages (40 & 41)

5-6-4 Shariah Board

The Board oversees the Company's commitment to the provisions of the Shariah in all their dealings, and the supervision and approval of the development of insurance products compliant with Islamic Shariah. Shariah Board is composed of two members of the Kingdom of scholar (Islamic jurist) and there is a vacant place for a third member. The current members are:

Table 5-7: Shariah Board Members

Name	Position
Dr. Saleh Mansour Jarbou'	Head of Committee
Dr. Saleh Abdullah Al Luhaidan	Member Committee
Vacant	Member Committee

Dr. Saleh bin Mansour Jarbou': a member of Shariah Board, a Saudi national, at the age of 59 years old, holds a PHD degree in comparative jurisprudence of Imam Mohammed bin Saud Islamic University in 1427H, and MSc degree in law from the Washington Law School in Washington at American University in 1994G. (Washington College of law). He also holds a Master's degree in comparative jurisprudence from the High Institute of Judiciary from Imam Mohammed bin Saud Islamic University in Riyadh in 1405H. He joined the Shariah Board in the Company in 2009G. he has previously held several positions, most significant, Manager of Legal Affairs Department and oversight of commitment at Al Rajhi banking and Investment Corporation from 1997G. to 2007G.. He is also a licensed lawyer since 2007G.

Dr. Saleh bin Abdullah Al-Luhaidan: Member of Shariah Board, a Saudi national, at the age of 51 years old. He holds a PHD in Islamic jurisprudence from the High Institute of Judiciary in Riyadh in 1415H. He has worked as a Dean for it for two terms. He joined the Shariah Board in the Company in 2009G. and has served as a member of the Scientific Council of Imam Mohammed bin Saud Islamic University, participated in the membership of a number of scientific committees inside and outside the university. He is currently Associate Professor of Imam Mohammed bin Saud Islamic University, and general manager of the Shariah group and Secretary of Shariah Board at Al Rajhi Bank.

5-7 Conflict of Interest

In accordance with Article (69) of the Companies Regulations and Article (18) of the Corporate Governance Regulations, a member of the Board of Directors, without a license from the General Assembly renewed every year, shall not have any interest directly or indirectly in the business and contracts that are for the Company, unless the work is done by way of public competition if a member of the Board of Directors has raised the best offer. A member of the Board of Directors has to report to the Board his personal interest in the business and contracts with the Company and includes this report in the minutes of the meeting where the member of interest may not participate in the vote on the decision issued in this regard. The Chairman of the Board has to inform the General Assembly about the business and contracts with the members who has a personal interest in this report and attach with this report a special report by the Auditor. According to Article (70) of the Companies Regulations and Article (18-B) of the Corporate Governance Regulations, a member of the Board of Directors, without a license from the General Assembly to be renewed every year, may not participate in any action that would compete with the Company or trade in a branch of activity conducted by the Company. Otherwise, the Company had to ask him for compensation or to consider the business conducted by him as being carried out ti its interests. According to Article (71) of the Companies Regulations and Article (18-C) of the Corporate Governance Regulations, the Company may not provide a cash loan of any kind to the members of the Board of Directors or to guarantee any loan entered by one of them with others.

The Chairman of the Board and board members may not vote on any decision with respect to their remunerations.

Thus, the Company and its Board of Directors and members of senior executives confirm their full compliance with the provisions of Article (69) and Article (70) and Article (71) of the Companies Regulations as well as Article 18 of the Corporate Governance Regulations.

The Company concluded service agreements with a related party, which is presented to the General Assembly for approval on an annual basis (For more details about these arrangements, please see "Transactions with related parties" section of this Prospectus).

5-8 Declarations

- Members of the Board of Directors declare that none of them or any of the senior executive or secretary of the Board of Directors has declared bankruptcy at any given time or was subject to bankruptcy proceedings.
- Board members declare that none of them or any of the senior executive or secretary of the Board of Directors has not been appointed in a supervisory or managerial position in any insolvent company.
- Apart of the ownership of the members of the Board of Directors described in page (39) and page (138) of this Prospectus, respectively, and what has been explained in the "transactions with related parties" section, the Board of Directors confirms that there is no direct or indirect interests of any member of the Board members and senior executives and the secretary of the Board of Directors of the Issuer and any of their relatives in the Company's shares.
- With the exception of transactions with related parties contracts, there is not any contract or arrangement in effect be the one to board members or senior executives or the Secretary of the Board of Directors of the Issuer or any of their relatives or their followers substantial interest, directly or indirectly

Name	Position	Nationality	Age	Joining Date	Shares
Abdul Aziz Mohammed Abdul Aziz Al-Sudais	Chief executive officer	Saudi	41	2008	-
Jayaraman Venkataraman	Chief Financial Officer	Indian	56	2013	-
Miguel Colomenas Labart	Manager of Motor Takaful	Hispanic	47	2014	-
Dr. Suleiman bin Mohammed Bin Suleiman Al Juwaiser	Shariah Department Manager	Saudi	39	2011	-
Richard James Lang	Manager of distribution channels Department	South African	43	2014	-
Dr. Ahmed Abdul Salam Abdul Aziz Afifi	Manager of Technical Affairs	Egyptian	43	2009	-
Sivakumar Seshadri	Manager of Information Technology and Operations Department	Indian	40	2010	-
Amar Kumar Avinash Kumar	Manager of Internal Audit and Anti-Fraud	Indian	45	2009	-
Zacharias Saadawi Rugero	Strategic Department and Corporate Planning Manager	Hispanic	37	2012	-
Abdul Aziz Abdul Rahman al Jarbou	Legal Department and regular monitoring Manager	Saudi	39	2011	-
Mofrah Jarallah Janfawi	Manager of Human Resources	Saudi	35	2014	-
Jamal Mohammed Shaker Saqr	Manager of General Takaful	Egyptian	44	2013	-
Dahishana Murthy Raja	Health Takaful Manager	Indian	53	2011	-
Omar Talal Al Haowsh	Manager of Risk Department	Syrian	35	2014	-

Source: Al Rajhi Takaful

Note: The senior management members Do Not own 5% or more of the Company's shares in accordance with Article (138) of the Implementing Regulations of the Cooperative Insurance Companies Control.

Abdul Aziz Mohammed Abdul Aziz Al-Sudais: CEO, a Saudi national, at the age of 41 years. Earned a bachelor's degree in English literature from King Saud University in Saudi Arabia in 1998. He also holds a Graduate Diploma in Management from the University of Leicester in the United Kingdom in 2012. Joined the Company in 2008, has previously held several positions, including head of conversion Rajhi (the special branch of money transfer and foreign exchange at Al Rajhi Bank) from 2006 till 2008, and served before that as record Manager of the secretariat of the shareholders of Al Rajhi Bank from 2005G. to 2006G., and from 2000 to 2005 worked in Pretty Aerospace (BAE System) as English language lecturer.

Jayaraman Venkataraman: Chief Financial Officer, an Indian national, at the age of 56 years. He holds a Certified Accountant certificate (ACA) of Chartered Accountants center in India (ICAI) in 1984G, and he also holds a bachelor's degree in Economics from the American University in India in 1981, which also holds a cost accountant certificate from India in 2001G. Professor Jayaraman has more than 30 years of experience in finance and consulting, investment and insurance services and joint audit. Joined the Company in 2013G, has previously held several positions, including CFO in general insurance Allianz Company in India from 2010 to 2013 and before that served as Manager of investment and financial Department in Manama - Kingdom of Bahrain from 2005 and until 2010G in the United Insurance Company BSC.

Miguel Colomenas Labart: Takaful Motor Manager, Spanish nationality, at the age of 47 years. He holds a bachelor's degree in economics and actuarial science from the University of Aveda Diagonal Spain in 1991G. has 23 years of experience in the business of general insurance pricing and issues related to subscribe to the lines of Motor and personal lines. Joined the Company in 2014, has previously held several positions including Regional Head for the Middle East and Africa for personal and Motor lines in Zurich Insurance Company Middle East in Dubai from 2010 to 2014G.

Dr. Suleiman bin Mohammed bin Suleiman Al Al Juwaiser: Shariah Department Manager, a Saudi national, at the age of 39 years. He holds a PHD degree from the High Institute of Judiciary in Riyadh in 2014G and an MSc degree in Shariah Policiy - Systems Division from the High Judicial Institute in Riyadh in 2002G and a bachelor's degree in Shariah specialty Fiqh and Principles of Fiqh from Imam Mohammed bin Saud Islamic University in Riyadh in 1999G. He also holds several certificates in Islamic financial engineering from the Institute of Banking and the Center of Excellence in Islamic banking ae King Fahd University of Petroleum and Minerals. He is specialist in Islamic Takaful accredited by the General Council for Islamic Banks and Financial Institutions and the (CII) Institute. He joined the Company in 2011G, and has nine and a half years of experience in consulting and Shariah supervision and control, and programs development, insurance banking and training. He assumed the position Senior Shariah Advisor in Al Rajhi Bank since 2006G. till the date of joining the Company.

Richard James Lang: Manager of Distribution Channels Department, South African, at the age of 43 years, holds a Bachelor degree of Political from the Science University of Plymouth, United Kingdom, has 20 years of managerial experience in the business of insurance, obtained through his work in major Insurance companies before joining Al Rajhi Takaful . He joined the Company in 2014G. He served as Manager of distribution in the American International group - South Africa (AIG South Africa) where he has many different responsibilities from 2005 until 2013G. Before that he worked with Allianz - United Kingdom from 2001 up to 2005G.

Dr. Ahmed Abdul Salam Abdul Aziz Afifi: Manager of Technical Affairs, Egyptian nationality, at the age of 43 years. He holds a bachelor's degree in Medicine and Surgery from Ain Shams University in Cairo in 1994G..Het also holds a certificate of Medical Licensing Examination for United States and a certificate from the Educational Committee for foreign medical graduates, has 18 years of experience in the insurance business. Joined the Company in 2009, he has previously held the post of Head of Operations at Allianz Life Insurance in Cairo from 2001G. to 2009G.

Sivakumar Seshadri: Manager of IT and Operations Department, an Indian national, at the age of 40 years. He holds a Master's degree in economics and insurance from Onamali University in India in 1996, he also holds a bachelor's degree in economics from the same university in 1994. He also holds a fellowship accredited insurance center from Insurance Accredited Center in London - Britain in 2003, and the fellowship of the Indian insurance Institute from Indian Insurance Center in Mumbai - India in 1996, and a certificate of quality programs certified analyst of quality assessment center in Florida - the United States in 2002 and Postgraduate Certificate in insurance Department from the University of Pondicherry in India in 2000. Mr. Sivakumar has more than 22 years of experience in the business of insurance, technology, hardware / infrastructure, operations, and consulting. Joined the Company in 2010, has previously held several positions including head of Chennai City of India in the Indian life Insurance Company from 1992 to 2001, the Head of New Jersey City Department - United States in Tata Consultancy Services from 2001 to 2005, the Head of life Insurance and Health Care from 2009 to 2010 in Enfesis Company in Bangalore - India and Head of Technology and Insurance Operations in Bangalore- India in I Jet global Solutions Company from 2005 to 2009.

Amar Kumar Avinash Kumar: Internal Audit and Anti-Fraud Manager, an Indian national, at the age of 45 years. He holds a bachelor's degree in economics from the University of Allah Abad in India in 1993; he also holds a number of professional certificates, including Certified Internal Audit (CIA) and certificate fraud examination (CFE) and certification information systems (CISA). Has 21 years of experience in risk management, internal audit and to anti-fraud. He joined the Company in 2009G. he held previously the position of deputy head of internal audit and risk Department in May New York Life Insurance Company in Gorgan - India from 2001G. till 2009G. He also served as the Operations Manager for the American bank in Delhi - India from 1993G. to 2001G.

Zacharias Saadawi Rugero: Strategic and Corporate Planning Department Manager, Spanish nationality, at the age of 37 years. He holds a Master's degree in Executive MBA from the College of Business Administration IE Madrid - Spain in 2007, he also holds a master's degree in industrial engineering from the University of parental organizations Camilla's (ICAI) in Madrid, Spain in 2001G., also he holds a bachelor's degree in industrial electrical engineering from the University of parental Camilla's (ICAI) Madrid - Spain in 1998. He has 14 years of experience in trial strategy, business development, marketing, and customer experience, and Department of insurance, health care and retail. Joined the Company in 2012G. He held previously the post of head of strategic management and business development in the Bupa Spanish Company in Spain from 2007 to 2012G. and the position of a strategic adviser in Osenechur Company in Madrid - Spain from 2002G. to 2007G.

Abdul Aziz Abdul Rahman al Jarbou: Legal Department and Regular Control Manager, a Saudi national, at the age of 39 years. He holds a bachelor's degree in law systems from King Saud University in Riyadh - Saudi Arabia in 1997G. He also holds a Certified Compliance Officer (CCO) in 2010G and another certificate as a specialist in anti-money laundering and combating terrorism financing in 2009G. He has 15 years of experience in the business of judicial proceedings, legal consulting, banking supervision, anti-money laundering, and insurance business. Joined the Company in 2011, has previously held the position of Control and Compliance Manager in Al Rajhi Bank in Riyadh - Saudi Arabia from 2005G. to 2011G.

Mufarreh Jarallah Janfawi: Human Resources Manager, a Saudi national, at the age of 35 years. He holds a bachelor's degree in Economic Sciences from King Saud University in Riyadh - Saudi Arabia, He also holds a certificate in investment from the Institute of Banking in Riyadh - Saudi Arabia, also he passed through intensive training management program for a period of 9 months in the Bank of the Al Jazera, conducted by the Institute of Banking in Riyadh - Saudi Arabia. He also received a certificate in selling skills and customer services granted by Merck for training and consulting, joined the Company Rajhi Takaful in the post of Manager of Support Services 2010G., and in March 2014G. He became human resources Manager, and previously held the position of human resources and support services manager at Fanar factory Ceramics from July to October 2009G. and served as Manager of human and administrative resources in Saudi Environment Projects Company from 2008G. till 2009G.

Jamal Mohammed Shaker Saqr: General Takaful Manager, Egyptian nationality, at the age of 44 years. He holds a Holds a bachelor's degree in accounting from Ain Shams University in Cairo in 1992G. He also holds a Fellowship of the Royal Insurance Institute of London - United Kingdom in 1998G and Fellowship of Australian Insurance and Funding Institute in 2012, and has 22 years of experience in general insurance, joined the Company in 2013G. He has served before joining the Company as Deputy General Manager in Allianz Insurance Company in Cairo, the Arab Republic of Egypt from 2007G. to 2013G.

Dahshina Murthy Raja: Health Takaful Manager, an Indian national, at the age of 53 years. He holds a bachelor's degree in economics from the University of Kamuraj Madurai in India in 1983G., he also holds a master's degree from the University of Onamali in India in 1995G. He also attended the Executive General Management Program at the intergovernmental meeting Bangalore - India in 2006G. He has experience of 33 years in the business of supply and the health care industry, he joined the Company in 2011, has served before joining in the position of Assistant Vice president at Hinduja Company Global Solutions Limited in Bangalore - India from 2000G. and to 2011G.

Talal Omar Haowsh: Manager of Risk Department, a Syrian national, at the age of 35 years. Earned a master's degree in Risk Management from the University of Southampton in UK in 2007G. and a bachelor's degree in economics from the University of Damascus in Syria in 2004G. and he holds the ISO 31000 certification in management of occupational hazards in 2014G. Joined the Company in 2013G. He has previously held several positions, including risk and compliance manager in Allianz Cooperative Insurance Company in Syria from 2009G. to 2013G., and served before that in position of Risks Consultant in Ditnor Skfaritas Company UK from 2007G. till 2008G.

None of the Senior Executives holds any membership of any Board of Directors for the time being or held such a position previously.

6-1 Summary of Employment contracts of Board Members and Executive Management

Table 6-2: Summary of Important Employment Contracts

Name	Position	Date of appointment	Type of contract
Abdul Aziz Mohammed Abdul Aziz Al-Sudais	Chief executive officer	6/4/2008G.	Annual, automatically renewed upon the desire of both parties
Jayaraman Venkatarama	Chief Financial Officer	9/2/2013G.	Annual, automatically renewed upon the desire of both parties
Abdul Aziz Abdul Rahman alJarbou	Legal and Compliance Department Manager	14/5/2011G.	Annual, automatically renewed upon the desire of both parties
Dr. Ahmed Abdul Salam Abdul Aziz Afifi	Technical Affairs Manager	2/6/2009G.	Annual, automatically renewed upon the desire of both parties

Source: Al Rajhi Takaful

There are no contracts between the Company and the members of the Board of Directors. The table above outlines the employment contract with the Senior Executives of the Company's.

6-2 Main Company Departments

6-2-1 CEO's Office

Functions and responsibilities of this department include:

- Manage all available resources to achieve the strategic goals of the Company.
- Implement the main strategic guidelines set by the Board of Directors under the supervision of the Executive Committee.

- Manage businesses to achieve its objectives in the short and long term.
- Report sufficiently to the Executive Committee on the Company's performance and the challenges at the long, medium and short-term.
- Leading of the executive team to maximize the value of shareholders' money in the long run

6-2-2 Strategies and Institutional Planning Department

Functions and responsibilities of this department include:

- Formulate and follow up the implementation of the Company's strategies to achieve its objectives in the short and long term, in coordination with other departments.
- Develop appropriate business strategies and ensure effective implementation of these strategies.
- Monitor the performance of the strategies, achievement of targeted annual profits, sales and market share.

6-2-3 Finance Department

Functions and responsibilities of this department include:

- Manage all financial aspects of the Company, including its investment portfolio, verify the achievement of its sales goals and profitability, business planning, accounting control, budgeting and control departments adherence to them.
- Direct and manage the financial planning of the Company.
- Organize all financial and accounting affairs.
- Oversee the analysis activity and preparation of budgets and consolidation activities of financial statements.
- Develop financial rules and procedures and implement them.
- Prepare financial reports and submit them to senior management.

6-2-4 Legal and Regulatory Monitoring Department

Functions and responsibilities of this department include:

- Ensure that all business activities fulfill legal and legislative regulatory requirements.
- Support departments and business units to ensure compliance with regulations of the regulatory bodies of the Company's business areas.
- Represent the Company with the government and judicial authorities.
- Preparation of policies and Compliance regulations and implement them according to the principles of the Company.
- Ensure full compliance with the laws and regulations of SAMA and CMA and the laws and controls and practices applicable in the Kingdom.
- Monitor compliance activities of the Company and provide internal reports on it.
- Develop compliance culture among employees and enhance relations with regulators.

6-2-5 Internal Audit Department

Functions and responsibilities of this department include:

- Assessment of conformity of work procedures and practices in the Company's with the internal established and approved regulations.
- Make recommendations to ensure the implementation of Corporate Governance Law and the reduction of fraud or waste of money.
- Conduct periodic internal audits to determine the weak points of control and its gaps in the procedures and processes of the Company.
- Prepare review plans and submit them to the Audit Committee for approval.
- Raise audit results with the recommendation to the Audit Committee.
- Monitor efficiency of the internal control system and develop it continuously.

6-2-6 Shariah Department

Functions and responsibilities of this department include:

- Verify that any activity, product, service or work contract underway in the Company is licensed of Shariah Board.
- Review the Company products, plans and agreements, prior to their adoption by the Shariah Board.
- Conduct field periodic supervisory visits to the Company's various departments and branches to detect any Shariah irregularities in the Company, and make sure its commitment to implementing the directives and decisions of Shariah Board.
- Coordinate with the Shariah Board to enable them to review the Company's operations and directing various departments in accordance with the requirements of Shariah.

6-2-7 Distribution Channels Department

Functions and responsibilities of this department include:

- Develop a strategy for sales.
- Establish best practices for sales.
- Determine goals for sales
- Market assessment and coordination with the technical team concerning price schedules.
- Analyze Sales variables for the planning and execution of sales strategy.
- Control, develop, manage, inspire and motivate professional sales team to higher performance levels and achieve sales targets.
- Stimulate the grow sales and profitability and market share of the Company.

6-2-8 Human Resources Department

Functions and responsibilities of this department include:

- Management and development of human capital of the Company by attracting and recruiting competencies and qualified people.
- Develop promising talents able to grow and retention.
- Develop skills and direct the staff and coordinate training operations.
- Ensure compliance with the Saudi labor Law and company policies and procedures and managing relationships with government agencies.
- Provide internal HR services and do regular tasks.
- Prepare appropriate policies and procedures for human resources.

6-2-9 IT and Operations Department

Functions and responsibilities of this department include:

- Provide support services in the areas of IT management, information systems management, IT infrastructure, networking, telephony, and Fundamentals of Information Technology, and user support services on the Internet.
- Provide management information systems and supporting infrastructure required for internal and external customers to run the business with the highest efficiency and effectiveness.
- Manage and facilitate the installation of the required personal computers and systems.
- Software update according to technological developments.
- Ensure that technical processes are run in a consistent manner.
- Respond to user queries regarding the functions and operations of programs and systems.
- Management and maintenance of all hardware and software network to ensure continuity of network services.
- Management and delivery of services to individual policyholders.
- Cancellation of insurance policies and recover the amount of insurance and the issuance of insurance policy to customers in terms of their insurance coverage and the duration of validity and other insurance.

6-2-10 Risk Management Department

Functions and responsibilities of this department include:

- Participate in the development and implementation of a framework for risk management at the corporate level.
- Identify and analyze potential areas of risk. Ongoing monitoring of risk assessment and review of the mitigating factors of risk to ensure the organization and identification of the main risk analysis and mitigation.
- Develop and implement risk assessment models.
- Manage control management workshops to ensure alignment of business objectives with risk management strategies and to agree on the desired tolerated risk and the proportion of endurance.
- Review new initiatives and changes in processes and risk assessment for them initially to ensure that key risks are mitigated.
- Develop tracking of risk news of all risk related data from internal or external sources on a timely manner.
- Post-implementation review and monitor the implementation framework.
- Publishing risk dashboards, and ensure effective tracking of mitigation strategies of the major risks.
- Regularly communicate through reports and presentations which determine the results, and explain the risks status, and recommend changes to the Audit Committee, risk management and senior management.

6-3 Employees

Al Rajhi Takaful Company formed a team work with local and international expertise and skills .As at December 31, 2013, the number of employees stood at 482 employees compared to 456 employees as of December 31, 2011G, as shown in the table below:

Table 6-3: Numbers of Employees

Department	As in 31/12/2011 A.D.			As in 31/12/2012			As in 31/12/2013		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
CEO's Office	2	1	3	2	1	3	2	1	3
Sales and Marketing Department	161	73	234	135	61	196	123	81	204
General Takaful Department	13	14	27	12	13	25	9	19	28
Health Takaful Department	2	19	21	8	29	37	6	47	53
Motor Takaful Department	53	10	63	63	15	78	67	20	87
life, protection and savings Takaful Department	3	2	5	2	3	5	2	5	7
Finance Department	10	8	18	8	7	15	10	10	20
Human Resources Department	9	2	11	7	2	9	6	2	8
Internal Audit Department	4	2	6	1	2	3	1	5	6
IT and Operations Department	31	29	60	27	27	54	22	32	54
Compliance Department	3	0	3	6	0	6	5	0	5
Shariah Department	2	1	3	1	1	2	1	2	3
Strategies and Corporate Planning Department	0	2	2	1	4	5	1	3	4
Total	293	163	456	273	165	438	255	227	482
Percentage	64%	36%	100%	62%	38%	100%	53%	47%	100%

Source: Al Rajhi Takaful

Table 6-4: The following table depicts the numbers of the current staffing by departments as at December 2, 2014G

Department	Saudi	Non-Saudi	Total
CEO's Office	2	2	3
Distribution channels Department	118	118	191
General Takaful Department	6	6	23
Health Takaful Department	4	4	59
Motor Takaful Department	69	69	103
Protection and savings Takaful Department	28	28	46
Finance Department	14	14	27
Human Resources Department	7	7	7
Internal audit and anti-fraud Department	1	5	6
IT and Operations Department	30	34	64
Legal and Regulatory Monitoring Department	5	0	5
Shariah Department	1	2	3
Strategic and Institutional Planning Dpartment	2	4	6
Risk Department	0	1	1
Total	**287**	**257**	**544**
Percentage	**52.8%**	**47.2%**	**100%**

Source: Al Rajhi Takaful

6-4 Compliance to Saudization:

In line with the Cooperative Insurance Companies Control Law and its Implementing Regulations issued by the Saudi Arabian Monetary Agency, Takaful Al Rajhi Company is committed to keep the percentage for the Saudization as requested at 30%, and keeping with the labor law, the Company is categorized in {Nitaqat} program under the high green category.

As for "Nitaqat" program, the Saudization requirements related to the companies is based on comparison between companies working under the same sector. The categorization is split into four different categories, the red category applies for companies that do not comply with Nitaqat program requirements, the yellow category applies for companies that do not comply with Nitaqat program requirements but has high percentage of Saudi employees, the green category applies for companies that comply with Nitaqat program and is divided into three subcategories; low green, medium green and high green, were the green goes higher with the increase of Saudis number. The Platinum category applies for Nitaqat program that keeps up with a special national percentage with comparison to other related incorporations which act in the same economic activity and has the same capacity. Takaful Al Rajhi business falls in insurance and business services according to the guidelines and principles of Nitaqat program issued by the Ministry of Labor under publication number (1/1435) which demands large insurance companies in this sector to achieve a Saudization percentage as per the table below to be categorized under the high green category.

Table 6-5: Summary of categorization of the companies working under the insurance and business sector

Number of employees		The categorization based on the Saudization percentage that was issued by the Ministry of Labor for companies working under the insurance and business sector										
From	To	Red		Yellow		Low green		Medium green		High green		Platinum
500	2999	0%	16%	17%	34%	35%	41%	42%	47%	48%	54%	55%

Al Rajhi Takaful falls under the high green-scale ranges based on Nitaqat certificate issued in 02 / 12 /2014, in which reach the Saudization percentage to be 52.47%

7- Management's Discussion and Analysis of the of the Company's financial position and the results of its operations

7-1 Introduction

The Management's Discussion and analysis of financial position and results of the company's operations is based upon the audited financial statements for the three financial years, ended on 31 Dec, 2011, 2012, 2013G, and the reviewed statements of the first half of the year ended on 30 Jun 2014G including the accompanying notes thereto. Therefore, they must be read in conjunction with them. The financial statements were audited by KPMG Al-Fawzan and Al-Sadhan Office and Ernst & Young Office for years 2013 and 2012G, and by KPMG Al-Fawzan and Al-Sadhan Office and Al-Bassam (Certified Accountants & Consultants) for the year 2011G.

Management's discussion and analysis of financial position and results of operations include a forward looking statements that contain risks and uncertainties. The actual results may substantially differ from these data due to a number of factors that have been addressed in the «Risk Factors» section of this Prospectus.

Financial information board declarations

- The Members of board Directors acknowledge that the financial information listed in this Prospectus has been extracted from the audited financial statements of Al Rajhi Takaful Company without making any material modification on it, and that the financial statements have been prepared in accordance to the International Financial Reporting Standards. The Company also acknowledges that it has sufficient financial resources to cover the working capital requirements for the twelve month period following the date of this Prospectus.
- The members of the Board of Directors also acknowledge that the financial information contained in this Prospectus is submitted in accordance with the established practice in the Company's annual financial statements.
- Apart from the accumulated losses described in «Shareholders Equity» section, page 82 of this Prospectus, the members of Board of Directors declare that there is no material adverse change in the financial and commercial conditions during the previous three years that directly precedes the date of submitting the application for admission and listing until the date of issuance of this Prospectus.
- There is no material change in the financial and accounting policies of the Company that can adversely affect the Company's position and its financial performance.
- There are no commissions, discounts or brokerage fees or any other non-cash considerations awarded by the Company during the three years that directly preceding the date of submitting the application for admission and listing regarding the issuance or offering of any securities.

Financial statement qualified opinion for the year 2011G

The following is a qualified opinion regarding the financial statements for the year 2011G, as listed in the auditors' report for that year:

«As of 31 Dec 2011G, the Company deposited Murabaha deposits at a bank outside the Kingdom of Saudi Arabia in the amount of SAR 102 million representing 30% of the total investments whereby exceeding the maximum allowable investments limit abroad which is 20% as outlined in item 61 of the Implementing Regulations of the Cooperative Insurance and Reinsurance Companies.

"As of Dec 31, 2011, one of the reinsurance companies with 5% share from the excess loss Motor agreement and the credit rating of the Company is less than BBB because the sovereign rating of the state wherein the reinsurer operates is B. This is not in line with Item 42 of the Implementing Regulations for the Cooperative Insurance and Reinsurance Companies Law, which require a credit rating of BBB as a minimum for any reinsurance company dealing with any licensed cooperative insurance or re reinsurance company operating in the Kingdom of Saudi Arabia.

Absolute opinion on the financial statements for the years 2011 – 2013G

With the exception of the financial statements qualified opinion for the year 2011G as above, management has prepared financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards issued by the Saudi Organization for Certified Accountants (SOCPA) in Saudi Arabia and that the financial statements as a whole are as below:

- Present, in all material aspects, the financial position of the Company fairly as of 31 December of the years 2011 - 2012 – 2013G, and the results of its operations and cash flows for the periods ended on those dates in accordance With the International Standards for Financial Reporting.
- The financial statements are consistent with the Companies Regulations and the Company by-law with respect to the preparation and presentation of the financial statements.

The Company

Al Rajhi Company for Cooperative Insurance - Al Rajhi Takaful - referred to as the «Company» or «Al Rajhi Takaful» is a Saudi joint stock company incorporated pursuant to the Royal Decree No. M / 35 dated 27 / 06 /1429H, corresponding to 01 / 07 / 2008, and under the Council of Ministers' Resolution No. 181 dated 26 / 06 /1429H corresponding to 06 / 30 / 2008G. The Company was established in the city of Riyadh under Commercial Registration No. 1010270371 issued by Riyadh City on 07 / 05 /1430H corresponding to 28 / 06 / 2009G, and the insurance business license from the Saudi Arabian Monetary Agency Number TMN 22 / 11 / 2009 dated 29 / 11 /1430H corresponding to 17 / 11 / 2009G. The Company has begun practicing insurance business that is consistent with the provisions of the Islamic Shariah as of 06 / 01 / 2009G in accordance with the Cooperative Insurance Companies Control law and its Implementing Regulations. It was listed on the Saudi stock market «Tadawul» on 13 July 2009. The Company has obtained the approval of the Saudi Arabian Monetary Agency with respect to its products on 17 January 2010G. The purpose of establishing the Company is to engage in cooperative insurance operations and related services under the Cooperative Insurance Companies Control law and its Implementing Regulations in the Kingdom of Saudi Arabia.

Future Prospects

Despite the accumulated losses incurred by the Company since it was established in July 2009G due to the decline of sales compared to the expenses incurred, Al Rajhi Takaful has witnessed an increased growth in its sales during the past three year period on the scope of its existing products and through all sales channels, including branch sales and direct sales for companies and through sales agents and electronic sale channels to individual customers which are marketed to Rajhi Bank clients. The Company intends to capitalize on the opportunities available in the market to enhance the results of its operations and increase its market share and to cover its losses, especially after the introduction of new Takaful plans such as Family Takaful and protection and saving products . The Company relies on its capital increase to be able to develop its future operations and increase the volume of its sales and achieve revenues and profits to its shareholders.

Influential factors in operations

There are a number of factors that could affect the Company's operations including governmental, economic, financial, monetary and political policies, of which the Saudi Arabian Monetary Agency are part of, which oversees the insurance market in the Kingdom and currency exchange rates and the regulatory requirements such as Saudization requirements and the risks of the Kingdom's accession to the World Trade Organization and other policies, see the «risk Factors» section. There are a number of factors that affected the Company's operations, whether political or economic, social or technical factors, which are as follows:

Political Factors

- Insurance regulations have become more organized and SAMA pays great attention to the prices and imposes strict censorship on them. The organizers (Capital Market Authority, the Council of Cooperative Health Insurance) are vigilant in this regard as where it positively impacted through the increase of Takaful contributions.
- The government imposed a mandatory health insurance and compulsory auto insurance o with a strong likelihood that the insurance must be mandatory for new segments (Saudis in general, teachers, retirees, maids, drivers etc ...);

a matter that impact positively by increasing the Takaful contributions.

- Instability in the region, (Syria, Palestine, Yemen, Sudan, Iraq, and Iran) increased the marine insurance and travel insurance risks and thus increased the insurance claims.
- The strict adherence to deporting the non-regular workers and shut down all business activities that is not led and owned by Saudis (except for legal foreign investments) negatively impacted the health insurance.

Economic factors

- The spread of high-rate consumer loans and its growth allows for great opportunities to sell products, especially those related to credit products, real estate, vehicles, and other. Most of these products requires insurance which impacted positively on the Company by increasing Takaful contributions.

Social Factors

- Lack of insurance culture in the society impacted negatively by the decreased level of insurance breakthrough and subsequently the insurance contributions.
- High and growing population of young people, the thing that would increase the need for buying cars and houses, which represents many the demand engines for insurance many products.
- The increasing the number of Saudi travelers to destinations require travel insurance as one of the requirements to obtain an entry visa, which impact positively on the Company by increasing insurance contributions.
- Specialized talents: The difficulty in finding highly skilled competent insurance staff to insure their high efficiency, not to mention the high wages, which increased the pressure on Saudization and the general and administrative expenses.
- The increase of job opportunities available for women in various fields, the thing that will lead to an increase in the labor force that needs to be medical insurance, in addition to increasing the need for drivers and cars(car insurance)as it allows for more income to buy insurable assets (houses and cars) which will impact positively on the increase of Takaful contributions.

Technological factors

The increased spread and reliance on telecommunications Network / Internet, has positively impacted the selling of more insurance products. The state has promoted the development of e-government services, which led to an increase in the users segment in the Kingdom where they became able to make purchases and conduct financial transactions on the Internet, which have positively affected the selling of more insurance products electronically.

Banking Sector: Banking sector is considered a leader in the use of information technology and interaction electronically with customers, which facilitates the access for customers to a wide range of service providers and open new horizons for competition. Now, customers can make purchases and pay electronically using credit card and SADAD system, were it impacts positively by selling more insurance products.

7-2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and in accordance with the historical cost principle except for «investments whose fair value is included through the income statement» and «available for sale investments», which are measured at fair value.

The financial statements are presented in SAR which represents the efficient currency of the Company and are rounded off to the nearest thousand SAR.

The Company maintains separate accounting books for each of the subscribers Takaful operations (policyholders) operations and shareholders. Recorded revenues and expenses are clearly attributable to any of those activities in the relevant accounts. Management determines the Board of Directors and the basics of distribution expenses of joint operations.

International Financial Reporting Standards and interpretations of the International Financial Reporting Standards of the New or Modified Financial Reporting applied by the Company

The International Accounting Standards Council issued a number of new standards and amendments to the following

Standard /Interpretation	Statement
International Financial Reporting Standard No (IFRS 13)	Fair value measurement
IAS (1)	Amendments to the International Accounting Standard No. (1). Presentation of Financial Statements
International Financial Reporting Standard No (12)	Disclosures of quotas in other facilities
International Financial Reporting Standard No (10)	Consolidated Financial Statements
International Accounting Standard No (12)	Changes in income taxes and deferred taxes and related assets recovery
International Accounting Standard No (36)	Amendments in IAS 36, which applies retroactively from January 1, 2014G - the disclosure of information concerning the low- value recoverable assets
International Accounting Standard No (32) Amendments to the	International Accounting Standard No. (32) clearing of financial assets and financial liabilities
Interpretation No. (21)	Interpretation No. (21) issued by the Commission of the interpretation of international standards for financial reporting – the fees charged
International Accounting Standard No (39)	Amendments to IAS 39 - switch derivatives and continue to hedge accountin

Future changes in accounting policies

International Financial Reporting Standard No. 9 –

The Council of International Accounting Standards issued on 19 November 2013G a new version of the International Financial Reporting Standard No. 9 - Financial Instruments (Risk hedge accounting and amendments to the international financial reporting standards number (9) and (7), and the international Accounting Standard No. (39) Financial Instruments - Recognition and Measurement, International Financial Reporting Standard No. 7 International Standard: Financial Instruments - Disclosures. The International Financial Reporting Standard No. 9 for the year 2013G, repeat the application of the amendments to IAS 39 on swapping derivatives. There is no mandatory effective date for the standard, but it is now available for application. A new mandatory effective date will be determined when the Board of International Accounting Standards finalizes its review of the value impairment. Businesses may decide only the accounting for gains and losses arising from credit risk without applying at the same time the other requirements set forth in the International Financial Reporting Standard No. 9. The selection of accounting policy on the continued application of risk coverage accounting set forth in IAS (39) is now available for accounting hedging. That policy may be changed later and hedge accounting coverage stipulated in the international standard (9) may be applied before it becomes ultimately mandatory. This policy will be discontinued once the Board of international Accounting Standards is done with the study of the overall risk coverage.

Following are the significant accounting policies adopted:

- **Takaful contracts**

Takaful contracts are contracts whereby the Company (insurance company) is accepted as the director of Takaful to cover significant Takaful risks from another party (policyholders) and by agreeing to pay outstanding claims of Contributors Fund in the event of a specific and uncertain future accident (insured incident) which adversely affects the policyholder. As a rule of thumb, the Company defines the general insurance risk as the risk that represent the potential payment of benefits when as insured accident occurs.

Once the contract has been classified as a Takaful contract, it remains so throughout the remainder period, even if the Takaful risk dropped significantly during the period, unless all rights and liabilities are exhausted or terminate.

• Operating leases

Operating leases are classified as leases in which the leaser retains most of the risks and the benefits associated with the ownership of the asset as operating leases. Stated payments under operating leases are recognized as an expense in the consolidated income of the straight-line basis over the lease term.

• Re Takaful

The Takaful Reimbursement contracts are contracts entered by the Company with the re-Takaful whereby claims arising from the written and assigned Takaful policies are jointly covered.

The benefits that the company deserve are recognized under Takaful contracts as Takaful Reimbursement assets. These assets consist of re-Takaful share of claim payment and other receivables such as profit commissions and re Takaful shares of outstanding claims, which depends on the expected claims and benefits arising under the re-Takaful contracts. Recoverable amounts or amounts payable to re-Takaful are recognized in a similar manner for the amounts related to Takaful contracts and in accordance with the terms of re-Takaful contract.

At each reporting date of the financial statements, the Company conducts a review to make sure there is no evidence of value impairment of re-Takaful assets.

In case of the existence of such evidence, the Company conducts a formal estimate of the recoverable amounts. In case the carrying value of the re-Takaful assets exceeds the value of the recoverable amount, then the asset is considered impaired, and is written down to its recoverable amount. Impairment is recognized in the statement of Takaful operations.

• Claims

Claims comprise amounts payable to policyholders and third parties, and related loss adjusted expenses, net of salvage value and other recoveries, and are charged to statement of Takaful operations in the period in which they are incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not..

• Claims allocations

The Provisions of reported claims and unpaid on the date of preparation of financial statements are appropriated based on the discretion by each individual case.

Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of Takaful operations.

• Deferred Underwriting costs

Commissions and other costs of acquiring Takaful contracts that are primarily related to securing new contracts and renewing existing contracts are capitalized as an intangible asset and are subsequently amortized over the life of the contract on a basis consistent with the term of the related policy coverage

• Liability adequacy test

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the Takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement

of Takaful operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

- **Revenue recognition**

Underwriting surplus represents earned Takaful contributions after deducting the paid claims and expenses and other underwriting costs and claims owed and expected during the year, after deducting the amounts subject to Re Takaful , less the provision for any future expected claims on valid Takaful policies..

- **Fees and commission income**

Fees and commission income represent the management fees carried on customers for documenting contracts documentation and claim management fees, which are recovered from policyholders

- **Management fees**

Management fees are recognized for operations shareholders from Takaful operations when earned according to Takaful policies approved by the Shariah Control Committee and the Board of Directors.

- **Re Takaful Commissions**

Re Takaful commissions are deferred and amortized through the straight-line method over the period of Takaful contracts. Re Takaful profit commissions are recognized based on agreed terms with the re Takaful , which includes the proportion of claims or losses on assigned Takaful contracts.

- **Other revenues**

Dividend income is recognized when revenue recognition entitlement is received. Commission income is on investments is recognized based on the actual commission rate.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and Murabaha deposits with an original maturity of three months or less at original acquisition.

- **Receivable Takaful Contributions**

Receivable Takaful Contributions are recognized upon their maturity date. They are measured, upon their initial recognition, at the fair value of the received or receivable amounts. The carrying value of Takaful receivable contributions is reviewed to make sure there is a decrease in their value when events or changes in circumstances indicate that its carrying value in not recoverable. The impairment loss in income statement is recognized in the Takaful operations. Takaful receivable contributions are derecognized when the financial asset standards are not met.

The difference between the provisions at the end of the financial period, repayment and the appropriated provisions in the subsequent period are listed in the underwriting result for that period.

Investments

Investments held at fair value through the income statement

They are the investments that are classified as investments held for trading purposes and are recorded initially at cost, which is based on the fair value of the investment and subsequently measured at fair value.

Investments held to maturity

This is a non-derivative financial asset with fixed payments, and has specific maturity dates and the Company has the

positive intent and ability to hold till its due date. Investments held to maturity are registered at modified cost by amortization of premium or discount using the actual rate of commission. The settlement of Any permanent impairment in value of investments is settled, and is disclosed in the respective statements of income as a decline in value.

Available-for-sale investments

Available for sale investments are those investments that are planned to be held for an indefinite period, which may be sold to meet the requirements liquidity or changes in commission rates. The available for sale investment are originally measured at fair value, including investments -related acquisition costs. After the initial recognition, these investments are measured at fair value in shareholders' equity for investments available

for sale related to the shareholders operations and within the Takaful /liabilities surplus operations. When investment is derecognized, profit or loss is recognized in the income statement.

• De-recognition of Financial instruments

Financial assets are derecognized (or any part or a group of similar financial assets) upon:

- The Termination of contractual rights in receiving cash flows.
- The Company gives up all the rights to receive cash flows from an asset or a pledge to pay the received cash flows in full and without any delays to another party under the «immediate arrangements» and when: (a) The Company has transferred all of the benefits and risks associated with the ownership of the asset and (b) The Company cannot transfer or keep the risks associated with ownership of the asset, but has to transfer control of the asset.
- Fair value of financial instruments

The fair value is the price that would be received upon the sale of an asset or paid when converting a liability under the regular method between parties in the market on the measurement date, the fair value is determined according to the hierarchy, as shown below:

- **The first level:** Traded prices (without modification) in an active market for identical assets and liabilities.
- **The second level:** Evaluation Methods the lower level of which is observable either directly or indirectly.
- **The third level is:** Evaluation Methods the lower level of which is observable.

External evaluation experts evaluate the important assets such as real estate and financial assets available for sale and liabilities such as possible redemption.

• Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including contribution receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is based on the decline in fair value.
- Impairment of non-financial assets

Impairment losses are recognized to the extent of the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the fair value of the asset after deducting the costs of sale or the current value, whichever is higher. For the purpose of assessing impairment, assets are grouped to the lowest levels whereby cash flows can be independently identified (cash-generating unit).

• Property and equipment

Property and equipment are originally registered at cost after deducting accumulated depreciation and any impairment in value. Cost includes the expenses directly related to the purchase of assets. Repair and maintenance expenses are charged to the income statement for the shareholders' operations. Improvements that increase the value or the useful life of the respective asset is capitalized , substantially. Depreciation is charged to the income statement of the shareholders operations using the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

Office electrical equipment	5years
Furniture and fixtures	6-7years
Motor Vehicles	5 years
Computer hardware and software	3-5 years

Gains or losses for disposing any item of property and equipment are recognized, (which are calculated as the difference between the net disposal proceeds and the book value of the item) in the income statement for the shareholders' operations. The carrying value of property and equipment is reviewed to make sure there is an impairment when events or changes in circumstances indicate that its carrying value cannot be recovered. In the case of such evidence, and the carrying value exceeds the recoverable amount; the asset's value is impaired to the recoverable amount.

Board members acknowledge that there are no expected changes to the depreciation policy mentioned above.

- **Trading Date**

All normal purchases and sales of financial assets are recognized or derecognized on the trade date (the date that the Company commits to purchasing or selling the assets). Normal operations related to the purchase and sale of financial assets are the operations that require repayment of assets within the time period established by regulation or agreed upon in the market.

- **Employees' end of service benefits**

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

- **Payable Re Takaful Balances**

Payable re-Takaful balances consist of amounts due to various Re Takaful companies on behalf of the Re Takaful share of Takaful contributions net of paid claims and commission income.

- **Provisions**

Provisions are recognized when there are obligations (legal or anticipated) to the Company resulting from past events, and that the costs of paying the obligations are probable and can be reliably measured. No provisions are recognized for future operating losses.

- **Payables and due expenses**

Liabilities relating to the amounts to be paid in the future for received goods or services, whether billed or not by suppliers shall be recognized.

- **Zakat**

The Company is subject to zakat in accordance with regulations. Zakat is calculated and a provision is appropriated for it in the income statement for the shareholders' operations.

- **Earned and unearned Takaful Contributions**

Retained Takaful contributions and commission income related to existing risks beyond the end of the financial period are shown as unearned and deferred Takaful contributions.

- **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

- **Management fees (Agency)**

The management fee model for motor and general (40% of gross written premium), health (30% of gross written premium) lines of business was based on a fixed charge on gross written contribution upto 31 December 2011. From 1 January 2012, the Company has amended the model by charging 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%. Also, the Company limits the management fee charge to the extent of surplus available in Statement of income of Takaful operations.

Critical accounting estimates and assumptions

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Details of the specific estimate and judgments made by management are given below:

The ultimate liability arising from claims made under Takaful contracts

The estimation of the ultimate liability arising from claims made under Takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of 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, which are expected to be reported subsequent to the reporting date, for which the insured loss event has occurred prior to the reporting 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 Company also used the services of an actuary to ensure adequacy of its claim reserves.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims on a quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Liabilities arising under general, motor and health Takaful contracts are independently reviewed and certified by an external actuary.

Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial

health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Impairment of non-financial assets

Impairment losses are recognized to the extent of the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the fair value of the asset after deducting the costs of sale or the current value, whichever is higher. For the purpose of assessing impairment, assets are grouped to the lowest levels whereby cash flows can be independently identified (cash-generating unit).

Impairment losses in 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.

Deferred Underwriting costs

Certain acquisition costs related to writing or renewal of policies are recorded as DPAC and are amortised in the statement of income - Takaful operations over the related period of policy coverage in the same manner that policy contributions are recognised. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income - Takaful operations.

Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

7-3 The Financial Position

Table 7-1: Statement of Financial Position of the Company

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Takaful operations Assets				
Bank balances and cash	48,950	50,413	179,621	91.56%
Amounts due from shareholders' operations	196,822	202,867	202,801	1.51%
Receivable Takaful Contributions, Net	61,482	111,296	70,903	7.39%
Due from related parties	634	-	400	-20.57%
Advances and prepayments and other assets	16,622	-	1,575	-69.22%
Reinsurers' share of outstanding Takaful claims	43,976	40,898	64,169	20.80%
Takaful Reinsurers' share of Takaful unearned contributions	73,345	76,239	89,429	10.42%
Investments available for sale	30,216	30,200	15,945	-27.36%

Investments held to maturity	7,000	-	-	-100.00%
Costs of underwriting deferred policies	13,399	10,876	8,831	-18.82%
Total assets of Takaful operations	492,446	522,789	633,674	13.44%
Shareholders' assets				
Bank balances and cash	1,211	109,740	107,130	840.55%
Amount due from related parties	957	1,274	-	-100.00%
Receivable management fees	35,620	18,866	11,673	-42.75%
Advances and prepayments and other assets	19,793	11,409	12,654	-20.04%
Quoted investments valued at fair value through the income statement	31,125	31,918	42,107	16.31%
Investments available for sale	2,223	2,572	17,364	179.48%
investments held to maturity	197,175	112,710	76,800	-37.59%
Statutory deposit	20,000	20,000	20,000	0%
Property and equipment, net	15,040	17,415	17,517	7.92%
Total shareholders' assets	**323,144**	**325,904**	**305,245**	**-2.81%**
Total assets	**815,590**	**848,693**	**938,919**	**7.29%**
Takaful operations Liabilities and surplus				
Takaful operations Liabilities				
Total outstanding claims	100,240	119,263	203,576	42.51%
Amounts due to related parties	-	927	-	-
Management fees payable	35,620	18,866	11,673	-42.75%
Accounts payable and amounts payable, and other liabilities	27,606 85,925	30,597 66,500	33,023 37,966	9.37% -33.53%
Re-Takaful payables	237,452	280,565	343,121	20.21%
Total Takaful unearned contributions				
Unearned Commissions for Re-Takaful	5,525	5,967	4,264	-12.15%
Takaful operations Total liabilities	**492,368**	**522,685**	**633,623**	**13.44%**
Takaful operations Surplus				
Reserve of fair value of investments available for sale	78	104	51	-19.14%
Total Takaful operations liabilities and surplus	492,446	522,789	633,674	13.44%
Equity operations Liabilities				
Shareholders' operations Liabilities				
Zakat provision	1,859	1,368	2,369	12.89%
Accounts payable and amounts payable, and other liabilities	12,717	9,455	8,743	-17.08%
Amounts due to Takaful operations	196,822	202,867	202,801	1.51%
End of service benefits for employees	2,410	3,455	4,868	42.12%

Total shareholders' liabilities	213,808	217,145	218,781	1.16%
Shareholders' equity	200,000	200,000	200,000	0%
Share Capital				
Accumulated Loss	-90,664	-91,241	-113,585	11.93%
Fair value of investments available for sale reserve	-	-	49	-
Total shareholders' equity	**109,336**	**108,759**	**86,464**	**-11.07%**
Total liabilities and shareholders' equity	**323,144**	**325,904**	**305,245**	**-2.81%**
Total liabilities and Takaful operations	**815,590**	**848,693**	**938,919**	**7.29%**
surplus and liabilities				

Source: Audited Financial Statements

7-3-1 Assets

The assets of the insurance companies are represented in the assets of Takaful operations and assets of the shareholders' operations. Assets totaled to SAR 939 million on December 31, 2013G against SAR 815.6 million in 2011G. This means that assets have grown at a compound annual growth rate of about 7.29 % driveb by the assets of Takaful operations because of increasing the Company's business:

Table 7-2: Assets

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Takaful operations Assets	492,446	522,789	633,674	13.44%
Shareholders' assets	323,144	325,904	305,245	-2.81%
Total assets	**815,590**	**848,693**	**938,919**	**7.29%**

Source: Audited Financial Statements

7-3-2 Takaful Operations Assets

Takaful operations formed 67.5% of total assets as of December 31, 2013, compared to 59.9% in 2011, with total for Takaful operations assets of 492.4 million SR in December 31, 2011 where it rose to about 633.67 million SR at the end of the year 2013, with accumulated annual growth at 13.44% due to higher bank balances and cash of about 49.0 million SR to almost about 179.6 million SR.

Table 7-3 Takaful operation assets

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Bank balances and cash	48,950	50,413	179,621	91.56%
Amounts due from shareholders' operation	196,822	202,867	202,801	1.51%
Receivables Takaful Contributions, Net	61,482	111,296	70,903	7.39%
Amount due from a related party	634	-	400	-20.57%
Advances and prepayments and other assets	16,622	-	1,575	-69.22%
Re-Takaful share of outstanding claims	43,976	40,898	64,169	20.80%
Re-Takaful share of Takaful unearned contributions	73,345	76,239	89,429	10.42%

Investments available for sale	30,216	30,200	15,945	-27.36%
Held to accrual investments	7,000	-	-	-100.00%
Cost of issuing new delayed insurance documents	13,399	10,876	8,831	-18.82%
Total assets of Takaful operations	492,446	522,789	633,674	13.44%

Source: Audited Financial Statements

The following is a brief explanation of each item of Takaful operations assets item:

7-3-2-1 Bank Balances and Cash at hand

The bank balances and cash in hand for Takaful operations represent cash at hand and bank balances for company's accounts, and deposit against letter of guarantee. Bank balances and cash at hand grew at a compound annual growth rate of 91.6%, reaching nearly SAR 179.6 million by the end of 2013G compared to SAR 49.0 million on December 31, 2011G, The increase in bank balance account is mainly due to increase the size of the Company's business and growth of total outstanding claims account for Takaful operations and the total unearned Takaful contributions account and the sale of available for sale investments. The table below shows the movement of balances at banks and cash in hand during the years ending on 31 December 2011G, 2012 and 2013G:

Table 7-4: Balances of Cash in hand and at banks

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Cash in hand and at banks	13,247	41,885	166,520	254,55%
Murabaha Deposits	30,653	-	-	-
Cash and Cash Equivalents included in Cash Flow statements	43,900	41,885	166,520	-100.00%
letters of guarantee collaterals	5,050	8,528	13,101	61.07%
Total	**48,950**	**50,413**	**179,621**	**91.56%**

Source: Audited Financial Statements

* Deposits against Letters of Guarantee comprise amounts deposited with a local bank in exchange for the issuance of guarantees for the benefit of the Company's service providers. The restrictive nature of these deposits is that they cannot be withdrawn before the expiration of the guarantee period.

7-3-2-2 Amounts due from shareholders' operations

The amounts due from shareholders' operations have grown during the previous three years at a compound annual growth rate of only 1.5%, where they have grown from SAR 196.8 million in 2011 to SAR 202.8 million in 2013G.

These amounts represent the net deficit transferred from Takaful operations to shareholders' operations in 2010 and 2011G, where the deficit amounted to 75.4 and SAR 121.4 million in 2010 and 2011G respectively, which represents a total of SAR 196.8 million. In 2012 and 2013G as a result to determine the maximum management fees

there had no longer been any deficit to be transferred to shareholders 'operations, while the main reason behind the rise in total item amounts due from shareholders' operations during those two years, is the balance of agency fees (Management fees) at the end of the third quarter in 2012, The item rose from SAR 196.8 million at the end of 2011G to SAR 202.8 million at the end of 2013G; that is a compound annual rate of 1.51%

7-3-2-3 Receivable Takaful contributions, Net

These accounts represent the net subscription amounts contributions that have not been received from policyholders accounts and they are calculated by deducting the provision for doubtful debts of the total amount from the total Receivable subscription amounts. The total amount due from policyholders for the allowed period to drop amounted to about SAR 85.9 million on December 31, 2013G, compared to 72.2 on December 31, 2011G; a compound annual rate of 9.04%. While net Takaful Receivable contributions witnessed a compound annual rate of 7.4%, which is less than that of the total Takaful Receivable contributions, due to the growth of provisions for doubtful debts at a compound annual growth rate of 18.2%, which is higher than that of the total Takaful Receivable contributions. The following table shows the details of Takaful Receivable net contributions account during the years ended on 31 December 2011, 2012, and 2013G:

Table 7-5: Net Takaful receivable contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Due from policyholders				
External Policyholders	43,7	52,3	54,8	11.91%
Related parties	28,5	71,8	31,1	4.48%
Total Takaful receivable contributions	**72,2**	**124,1**	**85,9**	**9.04%**
Provision for doubtful accounts	-10,7	-12,8	-14,9	18.2%
Net Takaful receivable contributions	**61,5**	**111,3**	**70,8**	**7.39%**

Source: Audited Financial Statements

The amounts due from related policyholders represent the amounts of contributions that have not been received from the related Company policyholders, such as Al Rajhi Bank. Transactions are made with related parties on arm-length basis and there is no preferential treatment for them and they subscribe to insurance policies issued under the general policies of the Company without differentiation. The Company is committed to articles (69) and (70) of the Companies Regulations. An annual report is issued by the Company's Auditor in this regard that is submitted to the General Assembly. The provision of doubtful debts include an amount of 1,275 thousand SAR in 2013G compared to 2,052 thousand SAR in 2012G as a provision for the debts due from related parties.

The table below shows the movement of the provision for doubtful debts during the years December 31, 2011, 2012 and 2013G:

Table 7-6: Doubtful Accounts Movement

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Balance as in January 1	2,2	10,7	12,8	141.42%
Charge for the year	8,5	2,1	2,2	-49.54%
Balance as in December 31	**10,7**	**12,8**	**14,9**	**18.06%**

Source: Audited Financial Statements

The following is a statement of Takaful receivable balances as of December 31 for the years ending on December 31, 2011, 2012 and 2013G:

Table 7-7: Takaful Doubtful Accounts Ages

SAR'000	Not overdue yet	Not overdue with no decrease in value	Overdue with a decrease in its value			Total
			91180-day	181365-day	More than 365 day	
As at December 31, 2011	12,089	47,535	3,010	5,832	17,385	85,851
As at December 31, 2012	37,308	57,635	7,503	9,138	12,488	124,072
As at December 31, 2013	16,595	21,415	8,886	19,183	6,127	72,206

Source: Audited Financial Statements

The Company classifies Takaful receivable balances on case by case either as not overdue balances or not overdue and not impaired, and past due but not impaired. Takaful operations impairment adjustments in the income statement Indicate that it is not the Company's policy to get guarantees for the receivables and therefore most of them are not guaranteed. The company has no internal rating system. The balances that are not past due and not impaired that are related to policyholders are due from individuals and companies that are not classified. Therefore, the five largest clients represent 33% of the outstanding receivables as on December 31, 2013 and 56% as on December 31, 2012 and 32% as on December 31, 2011G.

The following is a statement of Takaful Doubtful Accounts Ages from Related Parties as at December 31, 2011, 2012, and 2013G:

Table 7-8: Takaful Doubtful Accounts Ages from Related Parties

SAR'000	Not overdue yet	Not overdue with no decrease in value	Overdue with a decrease in its value			Total
			91- 180 day	181- 365 day	More than 365 day	
As in December 31, 2011	857	26,720	899	1,722	898	31,096
As in December 31, 2012	29,215	38,353	1,343	2,199	665	71,775
As in December 31, 2013	15,357	5,624	1,736	5,123	646	28,486

Source: Audited Financial Statements

7-3-2-4 Amount due from a related party

Related parties represent the main Shareholders, members of the Board of Directors, Senior Executives, companies the owners of which are substantial Shareholders of the Company's, and other companies managed jointly or these parties have significant influence on. Pricing policies and terms of these transactions are approved by the Company's Management.

The amount due from a related parties reached SAR 634 thousand in 2011, and then it vanished where it has been paid off in 2012G, then appeared again in 2013G as it reached SAR 400 thousand. As a result, the amount due from related parties decreased at a compound annual rate of 20.6%

7-3-2-5 Advances and prepayments and other assets

The advances and prepayments and other assets fluctuated during the previous three years where it stood at SAR 16.6 million in 2011 and zero in 2012G and SAR 1.6 million in 2013G, a total a decrease at a compound annual growth rate of 69.2%.

The main reason for the decline is that in the year 2011G it has recorded an amount of SAR 10 million for amounts due from insurance companies and others. In 2012G it has been reclassified as a result of the Company's exemption from the payments of claims associated with these amounts and have been paid by the reinsurance companies which lead to a drop in all advances and prepayments and other assets to have the total outstanding claims value of SAR 10 million .

7-3-2-6 Re Takaful Reinsurers' share of outstanding claims

Re Takaful Reinsurers' share of outstanding claims represents the remaining part of Re Takaful Reinsurers of policyholders' claims whether under the settlement or incurred but not reported as of the balance sheet date. It is calculated by adding items from Re Takaful reinsurers' shares of outstanding claims to incurred but not reported claims. The reinsurers' share of outstanding claims amounted to SAR 64.2 million as of December 31, 2013G compared to SAR 44 million as of December 31, 2011G, therefore it rose in an annual growth rate of 20.8%. due to the growth of outstanding claims and growth of claims incurred but not reported. The following Re Takaful reinsurers' share movement of outstanding claims ended on December 31, 2011, 2012, and 2013G:

Table 7-9: Reinsurers' share from outstanding Claims

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Outstanding Claims on December 31	27,186	20,735	38,003	18.23%
Incurred and unreported	16,790	20,163	26,166	24.84%
Reinsurers' Takaful share from outstanding Claims	43,976	40,898	64,169	20.80%

Source: Audited Financial Statements

7-2-3-7 Re Takaful Reinsurers' share of unearned Takaful contributions

This item represents Re Takaful Reinsurers' share of unearned contributions received that relate to applicable hazards after the end of the financial period. Re-Takaful Reinsurers' share of unearned contributions has grown at a compound annual growth rate of 10.4% during the previous three years, where it rose from SAR 73.3 million as in 31 December 2011G to SAR 89.4 million as on December 31, 2013G, despite the decline in Takaful contributions received during the year due to the growth of contributions that are related to the applicable hazards beyond the end of the financial period. The following is the movement of the re Takaful reinsurers' share of unearned Takaful contributions through years ended on December 31, 2011, 2012, and 2013G:

Table 7-10: Reinsurers' Takaful share from Takaful unearned Claims

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Balance as at January 1	38,103	73,345	76,239	41.45%
Commission received during the year	146,678	151,072	131,177	-5.43%
Commission earned during the year	-111,436	-148,178	-117,987	2.90%
Balance as at December 31	**73,345**	**76,239**	**89,429**	**10.42%**

Source: Audited Financial Statements

7-3-2-8 Available for sale Investments

This item represents the investments held for trading to cover the unit-related liabilities which consist of investments available for sale in the Rajhi fund for Mudaraba in legal goods. Investments held for Takaful operations amounted to about SAR 15.9 million in the year 2013G compared to almost SAR 30.2 million in the year 2011G where it has registered a decline of a compound annual rate of 27.36%. This is because the available for sale investments sold during the year 2013G were higher than the purchased ones, as it is calculated by adding the investments purchased and investments sold during the year and adding a profit or subtracting the unrealized loss for the financial period to balance these investments at the beginning of the period. The table below shows the movement of investments available for sale during the years ending on December 31, 2011, 2012, and 2013G:

Table 7-11: Available for sale investments movement

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Balance as at January 1	-	30,216	30,200	-
Investments purchased during the year	130,000	195,000	438,500	83.66%
Investments sold during the year	- 99,862	-195,120	452,702-	112.91%
Net change in fair value of investments	78	104	53-	-
Balance as at December 31	**30,216**	**30,200**	**15,945**	**-27.36%**

Source: Audited Financial Statements

7-3-2-9 Held to maturity Investments

There had been no held investments to maturity within Takaful operations assets on December 31, 2013 and 2012G while it reached SAR 7 million in 2011G, which means they it decreased to an annual composite decrease rate of (100%). The reason behind this is that the Company liquidated the investments so the Company can improve the solvency margin.

7-3-2-10 Acquisition costs related to postponed issuance documents

Deferred underwriting policy costs incurred by the Company from represent Takaful contributions received in advance (earned contributions) which relate to applicable hazards beyond the end of the financial period. They are calculated by adding the deferred policy underwriting costs for this year to related to balance of the beginning of the period and subtracting the amortized balance during the year. The deferred policy underwriting costs dropped from SAR 13.4 million on December 31, 2011G to SAR 8.8 million on December 31, 2013G; an annual composite decrease rate of (18.8%) due to decrease of the costs incurred during the year and increasing the amortized costs. Below is the table for the deferred policy underwriting costs movement during the years ending on December 31, 2011, 2012, and 2013G:

Table 7-12: Acquisition costs of deferred policies movement

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Balance as at January 1	2,652	13,399	10,876	102.51%
Incurred during the year	29,219	23,959	21,459	-14.30%
Amortized during the year	-18,472	-26,482	23,504	12.80%
Balance as at December 31	**13,399**	**10,876**	**8,831**	**-18.82%**

Source: Audited Financial Statements

7-3-3 Shareholders' assets

The total shareholders' assets decreased from SAR 323.1 million on December 31, 2011 to SAR 305.2 million in December 31, 2013G ; an annual composite decrease rate of (2.8%),in the aftermath of the decline of investments held to maturity.

The following table shows the different elements of the shareholders assets on December 31, 2011, 2012, and 2013G:

Table 7-13: Shareholders assets

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Shareholders' assets				
Cash and Bank balances	1,211	109,740	107,130	840.55%
Amounts due from related parties	957	1,274	0	-100.00%
Receivable management fees	35,620	18,866	11,673	-42.75%
Advances and prepayments and other assets	19,793	11,409	12,654	-20.04%
Quoted investments valued at fair value through	31,125	31,918	42,107	16.31%
income statement				
Investments available for sale	2,223	2,572	17,364	179.48%
Held to maturity investments	197,175	112,710	76,800	-37.59%
Statutory deposit	20,000	20,000	20,000	0.00%
Property and equipment, Net	15,040	17,415	17,517	7.92%
Total shareholders' assets	**323,144**	**325,904**	**305,245**	**-2.81%**

Source: Audited Financial Statements

The following is a brief explanation of each component of shareholders' assets:

7-3-3-1 Bank balances and cashin hand

This item consists of bank balances and cash in hand for the shareholders of cash on hand and at banks as well as Murabaha deposits, as it has reached almost SAR 1.2 million on December 31, 2011G and then increased to about SAR 107.1 million at the end of 2013G with a compound annual growth rate of 841% and the main reason behind this increase is the increase of cash in hand and at banks, which increased from SAR 1.2 million in 2011G to SAR 107.1 million in 2013G because the Company received a large part of its investments held to maturity. The table below illustrates the various elements of bank balances and cash in hand during the year ended on December 31, 2011, 2012 and 2013G:

Table 7-14: Shareholders cash and bank balances

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Cash in hand and at banks	1,211	59,740	107,130	840.55%
Murabaha Deposits	-	50,000	-	-
Cash and Cash Equivalents included in Statement of Cash flows	**1,211**	**109,740**	**107,130**	**840.55%**

Source: Audited Financial Statements

7-3-3-2 Amounts due from related parties

It is represented in the amounts due from Al Rajhi Insurance Company Limited - Bahrain –The company established before the founding of Al Rajhi Company for Cooperative Insurance as a result of the liquidation of the transferred company. There are no longer amounts due from related parties during the period on December 31, 2013G while this item reached on December 31, 2011 and 2012G approximately 1 and SAR 1.3 million respectively.

7-3-3-3 Receivable Management fees

Receivable Management fees decreased from SAR 35.6 million on December 31, 2011 to SAR 11.7 million in 2013, a compound annual growth rate of (42.75%).This is due to the fact that paid part of management due fees in 2012 and 2013G exceeds the revenue fees for those two years.

7-3-3-4 Advances and prepayments and other assets

Advances and payments made and other assets of advance payments made up in advance for suppliers and prepayments of rents and other earnings due on Murabaha deposits and insurance.This item has decreased during the past three years, from SAR 19.8 million in 2011G to SAR 12.7 million in 2013G, as an average compound annual of decline amounted of (20%).The following are the details of advances and prepayments and other assets during the years December 31, 2011, 2012 and 2013G:

Table 7-15: Advances, payments and other assets

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Advances to suppliers	12,087	6,770	8,744	-14.95%
Prepayments				
-Rent	1,696	1,355	1,375	9.96%
-Other	4,723	2,412	1,928	-36.11%
Accrued dividends on Murabaha deposits	1,245	740	475	-38.23%
Insurance	42	132	132	77.28%
Total advances, prepayments and other assets	**19,793**	**11,409**	**12,654**	**-20.04%**

Source: Audited Financial Statements

7-3-3-5 Quoted investments valued at fair value through income statement

These investments consist of equity portfolio listed in the Saudi exchange «Tadawul».These investments have increased from SAR 31.1 million in 2011G to SAR 42.1 million in 2013G, with a compound annual growth rate of 16.3%.This is due to the investments purchased during the period exceeds the sold purchases.

7-3-3-6 Available for sale Investments

Available for sale investments in shareholders' operations consist of investment in Al-Rajhi Investment Fund for legal goods and investments in Najm Insurance Company. The investments available for sale rose from SAR 2.2 million in 2011G to SAR 17.4 million in the year 2013G, as it grew with an average compound annual growth of 179.5% due to the purchase of investments at Al Rajhi Fund for legal goods.The following table explains the details of this account:

Table 7-16: Available for sale Investments

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Investment in Al Rajhi Fund for Shariah Mudaraba in goods	-	149	15,441	-
Najm Insurance Services	2,223	2,423	1,923	-6.99%
Total investments available for sale in the shareholders' operations	**2,223**	**2,572**	**17,364**	**179.48%**

Source: Audited Financial Statements

That Investments in Al Rajhi Fund for legal goods speculation is one of the securities that are prone to volatility because they are listed on the Saudi Stock Market «trading» while investment in Najm Company Insurance Services of contractual securities is difficult to determine it's real value since it is not listed in the financial market and a decline in and selling Al Rajhi Fund for legal speculation in a low price will greatly affect the financial position of the Company.

7-3-3-7 Held to maturity investments

The investments held to maturity are represented in the non-derivative financial assets with fixed or determinable payments that has specific accrual dates and, the Company has a positive intension and ability to hold to maturity. They are considered Murabaha deposits that its due date is more than three months. Investments held to maturity dropped at an annual compound rate of (37.6%) from SAR 197.2 million on December 31, 2011G to approximately SAR 76.8 million in the end of 2013G. This is due to the investments held to maturity that are due during the period were higher than the purchased ones. As these investments represent investments at Emirates Bank and Muscat Bank in 2011G and after that, the Company sold its investment at Emirates Bank, which led to a decrease in value of this item.

7-3-3-8 statutory deposit

The Company has deposited SAR 20 million, which represent 10% of the paid up capital in a specific local bank by the Saudi Arabian Monetary Agency in accordance with the requirements of the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia issued by the Saudi Arabian Monetary Agency. This statuary deposit can't be withdrawn without approval of the Saudi Arabian Monetary Agency, where it was deposited at Al Inma Bank knowing that this deposit investment earnings are due to SAMA.

7-3-3-9 Net property and equipment's

This item consists of office and electrical equipments, furniture and fixtures, automotive and computer software in addition to computers. Net book value of property and equipment totaled approximately 15.0 and SAR 17.5 million on December 31, 2011 and December 31, 2013G respectively, with a yearly compound growth rate of 7.92%, as the table below shows:

Table 7-17: Property and Equipment

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Office and electrical equipment	1,184	1,172	1,031	-6.68%
Furniture and fixtures	10,623	8,710	7,684	-14.95%
Cars	419	303	724	31.45%
Computer programs	682	5,633	6,558	210.09%
Computers	2,132	1,597	1,520	-15.56%
Net book value of property and equipment	**15,04**	**17,415**	**17,517**	**7.92%**

Source: Audited Financial Statements

Description	2015	2016	Total
Value of the land	10 million	-	10 million
Buildings	20 million	25 million	45 million
Furniture	-	11 million	11 million
Equipment	-	4 million	4 million
Total	30 million	40 million	70 million

The Company's intention to buy a land and build on it and buy furniture and equipment necessary to establish a major center of it in accordance with the following schedule:

Description	2015
Rent	16 million
Hardware	3 million
Furniture	6 million
Total	25 million

7-3-4 Takaful operations Liabilities

Takaful operations Total liabilities increased from around SAR 492.4 million on December 31, 2011 to SAR 633.6 million by the end of 2013G, with an annual compound growth rate of 13.44%. This increase is due to the growth of total Takaful unearned contributions and to the growth of total outstanding claims. The table below shows the different item for Takaful operations liabilities during the years ending on December 31, 2011, 2012 and 2013G:

Table 7-18: Takaful Operations Liabilities

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Total outstanding claims	100,240	119,263	203,576	42.51%
Amounts due to related parties	0	927	0	-
Management fees payable	35,620	18,866	11,673	-42.75%
Accounts payable and amounts payable, and other liabilities	27,606	30,597	33,023	9.37%
Re-Takaful Payable balances	85,925	66,500	37,966	-33.53%
Re-Total Takaful unearned contributions	237,452	280,565	343,121	20.21%
Re-Takaful unearned commissions	5,525	5,967	4,264	-12.15%
Total Takaful operations liabilities	**492,368**	**522,685**	**633,623**	**13.44%**

Source: Audited Financial Statements

The following is a brief explanation of each article Takaful operations for liabilities item:

7-3-4-1 Total outstanding claims

These are the total claims recorded before deducting the Re Takaful share. These claims are payable to policyholders after completing its study and examining the supporting documents to ensure its validity for settlement. The total outstanding claims include a total estimated cost of claims incurred but not paid on the date of the financial statements, whether reported or not. Outstanding claims reached around SAR 203.6 million is at December 31, 2013G while it was SAR 100.2 million on December 31, 2011G, with a compound annual growth rate of 42.5% due to the growth of Takaful contributions written during this period.

7-3-4-2 Amounts due to related parties

This item represents the amount payable for shareholders of the Company resulting from related parties transactions, which included Takaful contributions (Written policies), acquisition fee, registration fees and administrative fees, and there was no amounts due to related parties during the years 2011 and 2013G. However, on December 31, 2012G it has reached 927 thousand SAR.

7-3-4-3 Payable Management fees

Payables management fees have decreased over the past three years from SAR 35.6 million on December 31, 2011G to SAR 11.7 million on December 31, 2013G, with an average compound annual decline of (42.75%). This is due to the fact that the paid fees in cash in 2012 and 2013G which is higher than the management fees expense. This is due to the decrease of management fees charged during this period as a result of determining a maximum limit of these fees.

7-3-4-4 Creditors, amounts payable and other liabilities

The item of creditors and the amounts payable and other Takaful operations liabilities increased from SAR 27.6 million on December 31, 2011G to SAR 33 million on December 31, 2013G. This means that it has increased in an annual compound growth rate of 9.37% as a result of the growth of the Company's business .

7-3-4-5 Payable Re Takaful balances

The Re Takaful payable balances are represented in the amounts of contributions payable to Takaful contributions for the Re Takaful companies, according to the agreements signed with them. It has decreased from about SAR 85.9 million in 2011G to about SAR 38 million in year 2013G, as it had decreased to the annual compound growth rate of 33.5%. Due to decrease in health Takaful during the previous three years and the reduced Takaful contributions assigned during the period, the percentage paid to reinsurers was higher than assigned re Takaful contributions.

7-3-4-6 Total Takaful unearned contributions

Total Takaful unearned contributions represent Takaful contributions received in advance, as it relates to the risks applicable beyond the financial period. The total Takaful unearned contributions grew from SAR 237.5 million in the end of 2011G to SAR 343.1 million in the end of 2013G; an, annual compound growth rate of 20.2%,supported by the total written contributions. The table below shows the movement of Total Takaful unearned contributions during the years ending on December 31, 2011, 2012, and 2013G:

Total 7-19: Total Takaful unearned contributions movement

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Balance as at January 1	126,839	237,452	280,565	48.73%
Takaful contributions earned during the year	493,344	600,864	689,662	18.23%
Takaful contributions earned during the year	-382.731	-557,751	627,106-	28.00%
Balance as at December 31	**237,452**	**280,565**	**343,121**	**20.21%**

Source: Audited Financial Statements

7-3-4-7 Unearned Re Takaful Commissions

Unearned Re Takaful commissions are represented in in the commission received from re Takaful operations relating to applicable hazards after the end of the financial period. The re Takaful commissions decreased from 5.5 million SR on December 31, 2011 4.3 m million SR on December 31, 2013, with an annual compound decline rate of (12.15%) due to decrease of Takaful assigned contributions (high retention rate).

7-3-5 Takaful operations surplus-Available for sale investments of the fair value reserve

The fair value reserve of available for sale investments is calculated by subtracting the shortage or adding the increase in the fair value of investments available for sale from the balance at the beginning of the period. The fair value reserve increased during the year 2012 from 78 thousand and on December 31, 2011 to 104 thousand on December 31, 2012, and then decreased to 51 on December 31 2013. As a result, this item decreased to a compound annual decline rate of (19.1%) due to volatility in the unit price in Commodity Trading Fund which increased in 2012, while decreased in

2013, resulting in a positive change in 2012 which led to an increase in the reserve and a negative change in 2013 that led to a decline in reserve.

7-3-6 Total liabilities and Takaful operations surplus

Total liabilities and Takaful operations surplus increased during the three previous years from 492.44 million SR on December 31 in 2011 to 633.67 million SR on December 31, 2013, with an annual compound growth rate of 13.4%. The total liabilities were supported by Takaful operations that have grown because of the growth of the two items of outstanding claims and unearned Takaful contributions due to company's business growth.

7-3-7 Total shareholders' liabilities

Total shareholders' liabilities increased from SAR 213.8 million on December 31, 2011G to about SAR 218.8 million by the end of 2013G, with an annual compound growth rate of 1.16%. The table below shows the various items consisting of liabilities of shareholders during the years ending on December 31, 2011, 2012, and 2013G:

Table 7-20: Shareholders liabilities

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Zakat Provision	1,859	1,368	2,369	12.89%
Accounts payable, accruals and other liabilities	12,717	9,455	8,743	-17.08%
Amounts due for Takaful operations	196,822	202,867	202,801	1.51%
End of service benefits for employees	2,410	3,455	4,868	42.12%
Total shareholders' liabilities	**213,808**	**217,145**	**218,781**	**1.16%**

Source: Audited Financial Statements

The following is a brief explanation of each article of shareholders liabilities items:

1-7-3-7 Zakat

Provision for Zakat item is calculated according to the Law of Zakat applicable in Saudi Arabia. The Provision for Zakat has reached about SAR 1.86 million on December 31, 2011G and then increased to around SAR 2.37 million in the end of 2013G due to the accumulation. Below is zakat charge for each year, which is calculated on the basis of zakat base, which includes the following components:

Table 7-21: Zakat Provision Account

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013
Shareholders' equity	142,241	109,336	108,759
Period opening allocation and other adjustments	1,243	2,410	17,599
The carrying value of long-term assets	- 68,388	- 71,757	- 70,526
Total	**75,096**	**39,989**	**55,832**
Year income subject to zakat	- 22,276	14,760	- 15,792
Zakat Base	52,820	54,749	40,040
Zakat at 2.5%	**1,321**	**1,368**	**1,001**

Source: Audited Financial Statements

The following table shows the movement in the provision for Zakat during the years ending on December 31, 2011, 2012 and 2013G:

Table 7-22: Zakat provision movement

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013
As at 1 January	3,757	1,859	1,368
Net allocated during the year	930	1,362	1,001
Paid during the year	- 2,828	- 1,853	-
As at 31 December	**1,859**	**1,368**	**2,369**

Source: Audited Financial Statements

No final Zakat certificate has been issued but conditional certificates during the past years due to disagreement on some of the items between the Company and the Department of Zakat and Income Tax "DZIT" including withholding tax on the premiums of reinsurance, where it was paid to the Department of Zakat and income tax on the net amount (calculated as written premiums less claims or payable commissions). While the Department of Zakat and Income tax requires settling the tax on the total premiums. A provision for withheld tax on the total written premiums was made Risks here may arise in the case of:

1. Imposing delay fine by the Zakat and Income Tax of 1% of the tax due for each delay up to 30 days.

2. Inadequacy of provisions to cover potential risks, including penalties.

7-3-7-2 Creditors, and amounts payable and other liabilities

This item has been reduced from SAR 12.7 million on December 31, 2011 to SAR 8.7 million on December 31, 2013G, where the item of creditors, amounts payable and other liabilities is represented in payables and others and accrued expenses as shown in the following table:

Table 7-23: Payables, Accruals and other liabilities

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Payables and Others	10,306	5,789	6,445	-20.92%
Accrued expenses	2,411	3,666	2,298	-2.37%
Total Payables, Accruals and other liabilities	**12,717**	**9,455**	**8,743**	**-17.08%**

Source: Audited Financial Statements

7-3-7-3 Amounts due to Takaful Operations

These amounts represent the net deficit transferred from Takaful operations to shareholders operations in 2010 and 2011G, where the deficit amounted to 75.4 and SAR 121.4 million in 2010 and 2011G, respectively, which represent a total of SAR 196.8 million. In the years 2012 and 2013G, there was no longer net deficit transferred to shareholders' operations as a result of limiting the maximum management fees. Therefore, the total amount owed to Takaful operations increased only from SAR 196.8 million in the end of 2011 to SAR 202.8 million in the end of 2013G; an annual compound growth rate 1.51% due to the agency fees (management fees) in the third quarter of 2012G.

7-3-7-4 Employees End of service benefits

This item represents the total end of service benefits owed to employees, which has increased from about SAR 2.4 million on December 31, 2011G to approximately SAR 4.9 million by the end of 2013G, with an annual compound growth rate of about 42.12% due to accumulation.

7-3-8 Shareholders' equity

Total shareholders' equity decreased from about SAR 109.3 million on December 31, 2011G to about SAR 86.5 million by the end of 2013G, with a compound decrease rate of (11.07%) due to accumulated losses from SAR 90.7 million in 2011G to 113.6 million riyals in the year 2013G. The table below shows the shareholders' equity items:

Table 7-24: Shareholders Equity

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Share Capital	200,000	200,000	200,000	0.00%
Accumulated losses	-90,664	-91,241	-113,585	11.93%
The fair value of investments available for sale reserve	0	0	49	
Total shareholders' equity	**109,336**	**108,759**	**86,464**	**-11.07%**

Source: Audited Financial Statements

The following is a brief explanation of the items of the shareholders' equity:

7-3-8-1 Share Capital

The capital of the Company's is SAR 200 million divided into 20 million Ordinary Shares with a nominal value of SAR 10 per share. The Founding Shareholders are subscribed in 14,000,000 shares representing 70.00% of the company's shares, while the public subscribed in the remaining shares amounting to 6,000,000 shares.

7-3-8-2 Accumulated losses

The Company's accumulated losses amounted to be about SAR 90.7 million on December 31, 2011G, and then it rose to nearly SAR 113.6 million in the end of 2013G accumulated at a compound rate of 11.93%.

7-3-8-3 The fair value reserve of available for sale investments

There was no fair value reserve for the available for sale investments during 2011 and 2012G, while there was 49 thousand riyals at the end of 2013G.

7-3-9 Total liabilities and Takaful operations surplus and shareholders' equity

Total liabilities and Takaful operations surplus and shareholders' equity increased from about SAR 815.59 million in the end of 2011G to about SAR 938.9 million by the end of 2013G, an compound increase rate of approximately 7.92%. The main reason for this growth is the increase in the total outstanding claims and the total unearned Takaful contributions during the previous three years. The following table shows the details of calculating the total liabilities and Takaful operations and shareholder's' equity during the years ending on December 31, 2011, 2012 and 2013G:

Table 7-25: Total liabilities, Takaful surplus and equity operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Growth Rate %
Total liabilities and Takaful operations surplus	492,446	522,789	633,674	13.44%
Total shareholders' liabilities	213,808	217,145	218,781	1.16%
Total shareholders' equity	109,336	108,759	86,464	-11.07%
Total liabilities and Takaful operations surplus and Shareholders' Equity	**815,590**	**848,693**	**938,919**	**7.29%**

Source: Audited Financial Statements

7-4 Results of Operations

The following table shows the list of the subscribers in Takaful operations and a list of shareholders' operations of Al Rajhi Takaful Company:

Table 7-26: Results of Operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
First: Statement of Takaful operation participants and accumulated surplus:				
Gross written Takaful contributions	493,344	600,864	689,662	18.23%
Less: Re-Takaful ceded contributions	146,678-	151.072-	-131,177	-5.43%
Less: excess of loss insurance premiums	-1,861	-3,489	-2,676	19.91%
Net Written Takaful contributions	**344,805**	**446,303**	**555,809**	**26.96%**
Less: Net change in unearned Takaful contributions	-75,371	-40,219	-49,365	-19.07%
Net earned Takaful contributions	269,434	406,084	506,444	37.10%
Policy fees and other income	902	1,284	1,038	7.27%
Re-Takaful Commissions	7,830	12,960	13,335	30.50%
Total underwriting revenues	**278,166**	**420,328**	**520,817**	**36.83%**
Less: Total paid claims	-214,093	-374,024	-441,026	43.53%
Re-Takaful share in paid claims	50,817	89,984	74,261	20.89%
Less: Net claims paid	-163,276	-284,040	-366,765	49.88%
Less: Movement in outstanding claims, net	-28,448	-32,101	-61,024	46.46%
Net claims incurred	**191,724-**	**316,141-**	**427,807-**	49.38%
Supervision and inspection fees	-4,478	-3,916	-4,873	4.32%
Policy Underwriting costs	-18,472	-26,482	-23,504	12.80%
Provision for doubtful debts	8,532-	-2,052	-2,172	%-49.54
Other expenses	-25	-26	-299	245.83%
Other income	-	-	1,891	-
Less: Total claims and other expenses	-223,231	-348,617	-456,764	43.04%
Net underwriting surplus	**54,935**	**71,711**	**64,053**	**7.98%**
Investment Income	365	670	1,300	88.72%
Administrative fees	-176,721	-72,381	-65,353	-91.93%
Net deficit for the year	-121,421	-	-	-
Net deficit transferred to shareholders' operations	121,421	-	-	-
Net result of the year	-	-	-	-
Other comprehensive income restated later to the Income Statement				

Net change in fair value of investments available for sale	78	104	-53	-
Total (loss) Comprehensive income for the year	**78**	**104**	**-53**	**-**
Retention rate	69.89%	74.28%	80.58%	4.16%
Total Net contributions earned as a percentage of Written Contributions	54.16%	67.58%	73.43%	4,42%
Re-Takaful commission as a percentage of gross written premiums	1.59%	2.16%	1,93%	-5.32%
The Company's share of claims as a percentage of total claims paid	76.26%	75.94%	83.16%	4.65%
Surplus / deficit as a percentage of the gross written contributions.	11.14%	11.93%	9.29%	-11.78%
Year net debit as a percentage of gross written Contributions	-16,42%	00,0%	00,0%	-
econd: income statement of shareholders operations				
Revenue				
Management fees	176,721	72,381	65,353	-39.13%
Dividends	974	2,103	2,307	53.90%
Net profits of investments valued at fair value through the income statement	-281	2,433	8,412	-
Realized gain on sale of investments available for sale	1,797	473	1,243	-16.83%
Special commission income from investments held-to-maturity	1,812	4,234	2,388	14.80%
Total revenues	**181,023**	**81,624**	**79,703**	**-33.65%**
General and Administrative expenses	-91,577	-80,839	-101,046	5.04%
Net deficit transferred from the Statement of Takaful Operations to shareholders' operations	-121,421	-	-	-100.00%
(Loss) income before Zakat	-31,975	785	-21,343	-30.18%
Zakat allowances	-930	-1,362	-1,001	3.75%
Net loss for the year	**-32,905**	**-577**	**-22,344**	**-17.60%**
Loss per share basic and diluted (SAR)	-1.65	-0.03	-1.12	-17.61%
Net change in fair value of investments available for sale	-1,145	-	49	-
Total (loss) Comprehensive income for the year	-34.05	-577	-22.295	-19.08%

Source: Audited Financial Statements

7-4-1 Takaful Operations income statements

7-4-1-1 Takaful net written contributions

Takaful net contributions is calculated by subtracting the re Takaful assigned contributions and the excess of loss premium amounts from the total Takaful contributions. The net Takaful written contributions reached a total of SAR 344.8 million in 2011G compared to SAR 555.8 million in the year 2013G, therefore it grew at an annual compound growth rate of 26.96% as a result of the rise in total Takaful written contributions. The following table shows the net Takaful contributions written during the year ended on December 31, 2011, 2012 and 2013G:

Table 7-27: Takaful Net subscribed

Table 7-27: Takaful Net written contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Total Takaful written contributions	493,344	600,864	689,662	18.23%
Less Re-Takaful assigned contributions	-146,678	-151,072	-131,177	-5.43%
Less: Excess of loss premiums	-1,861	-3,489	-2,676	19.91%
Net Takaful written contributions	344,805	446,303	555,809	26.96%

Source: Audited Financial Statements

7-4-1-2 Total Takaful written contributions

Total Takaful written contributions appears during the three previous years from three main sources: Motor Takaful, health and general Takaful. The total Takaful contributions written grew from about SAR 493.3 million for the year ended on December 31, 2011G to nearly SAR 689.7 million in the end of 2013G, therefore it grew at a compound annual growth rate of 18.23%, as a result of the growth and increase in the Company's business in the field of Motor Takaful, which grew at a compound annual growth rate of 36.82%. The table below shows the details of the total Takaful written contributions since 2011 and until the end of 2013G:

Table 7-28: Total Takaful written contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	233,827	379,988	437,698	36.82%
Health Takaful	201,517	125,067	189,407	-3.05%
General Takaful	58,000	95,809	62,557	3.85%
Total	493,344	600,864	689,662	18.23%

Source: Audited Financial Statements

It is noted from the table above that contributions from Motors Takaful increased which grew at a compound annual growth rate of 36.8%, while the contributions of health Takaful decreased by an average annual compound rate of 3%, while the contributions from General Takaful increased at a compound growth rate of 3.85% since 2011G until the end of year 2013G. The following table shows the percentage of contribution of each source in the total Takaful written contributions during the year ended on December 31, 2011, 2012 and 2013G:

Table 7-29: The ratio of each source in gross Takaful written contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	47.40%	63.24%	63.47%	15.72%
Health Takaful	40.85%	20.81%	27.46%	18.00%
General Takaful	11.76%	15.95%	9.07%	-12.16%
Total	100.00%	100.00%	100.00%	0.00%

Source: Audited Financial Statements

What can be noticed from the table above is an increase in the contributions of Motor Takaful of the total Takaful written contributions from 47.4% at the end of 2011G to 63.47% at the end of 2013G; due to growth in Motor Takaful contributions at a compound annual growth rate that was higher than the health Takaful and General Takaful .

7-4-1-3 Re Takaful assigned contributions

Re Takaful share of Takaful contributions reached SAR 131.18 million on December 31, 2013 against SAR 146.78 million in 31 December 2011G, with a decrease of a compound annual growth rate of (5.43%). Although there are a rise in the Takaful contributions but re Takaful contributions decreased due to decrease of health Takaful during the year 2012G and then the decline of General Takaful in 2013G.

Table 7-30: Re-Takaful ceded contribution Detailed

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	1.481	1.032	1.146	12.03-%
Health Takaful	98.222	70.074	81.693	8.80-%
General Takaful	46.975	79.966	48.338	1.44%
Total	**146.678**	**151.072**	**131.177**	**5.43-%**

Source: Audited Financial Statements

It can be noted from the table above that the assigned re Takaful contributions in Health Takaful contributions decreased during the year 2012G and increased during 2013. As a result, it decreased at a compound annual growth rate of 8.8%, while the opposite occurred to assigned re Takaful contributions in General Takaful which increased in 2012 and then declined in 2013G due to increase in total General Takaful contributions in 2012 and its decrease in 2013G

Table 7-31: The ratio of each source in in Re-Takaful ceded contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	1.01%	0.68%	0.87%	-6.98 %
Health Takaful	66.96%	46.38%	62.28%	-3.56%
General Takaful	32.03%	52.93%	36.85%	7.27%
Total	**100.00%**	**100.00%**	**100.00%**	**0.00%**

7-4-1-4 Premium excess of loss

Excess of loss insurance premiums are the premiums that have been paid by the Al Rajhi Takaful to reinsurers when purchasing excess of loss policies from them. This item rose at a compound annual growth rate of about 19.91% rising from SAR 1.86 million on December 31, 2011 to SAR 3.5 million on December 31, 2012G and then dropped to 2.7 million SR in the end of 2013, the main reason for the rise in 2012G is the increase the Takaful contributions, while the reason for the decline in 2013G is increase in the retention rate of risks by Rajhi Takaful .

7-4-1-5 Net Takaful earned contributions

Takaful net contributions grew from SAR 269.4 million in the end of 2011G to SAR 506.4 million on December 31, 2013G;a compound annual growth rate of 37.1%; the Net earned contributions are calculated by subtracting net change in unearned Takaful contributions from net Takaful written contributions. The following table shows net Takaful earned contributions during the years ending on December 31, 2011, 2012 and 2013G:

Table 7-32: Net Takaful earned contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net Takaful written contributions	344,805	446,303	555,809	26.96%
Less: Change in Takaful unearned contributions, Net	-75,371	-40,219	-49,365	-19.07%
Net Takaful earned contributions	**269,434**	**406,084**	**506,444**	**37.10%**

Source: Audited Financial Statements

The net Takaful earned contributions grew at a compound annual growth rate (CAGR) of 37.1% supported by the growth of net contributions earned from Motors Takaful, which grew from SAR 183.9 million at the end of 2011G. to SAR 410.2 million at the end of 2013G, a compound annual growth rate (CAGR) that stood at 49.4%. The following table shows the details of net Takaful earned contributions by source since 2011G. and until December 31, 2013G.:

Table 7-33: Net Takaful earned contributions Details

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	138,893	305,870	410,236	49.36 %
Health Takaful	77,794	85,027	82,697	3.10 %
General Takaful	7,747	15,187	13,511	32.06 %
Total	**269,434**	**406,084**	**506,444**	**37.10 %**

Source: Extract from Audited financial statements

The percentage of net Motor Takaful contribution in the net Takaful earned contributions has risen from 68% in 2011G. to 81% in 2013G, an average compound annual growth of 8.94%, while the contribution of each of the health Takaful and General Takaful has fallen at a compound annual decline rate of 24.8 % and 3.7% respectively during the same period and because of the growth of Motor Takaful at a compound annual growth rate that is higher than the health and General Takaful. The following table shows the percentage of contribution of each source in the net Takaful earned contributions during the years ended on December 31, 2011G, 2012G, and 2013G.:

Table 7-34: Contribution ratio of each source in the net Takaful earned contributions

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	68%	75%	81%	8.94%
Health Takaful	29%	21%	16%	-24.80 %
General Takaful	3%	4%	3%	-3.68 %
Total	**100%**	**100%**	**100%**	**0.00 %**

Source: Extract from Audited financial statements

7-4-1-6 Net Change in unearned Takaful contributions,

This represents the increase (decrease) in Takaful written contributions related to risks in force beyond the financial year and this item is calculated by subtracting the net unearned Takaful contributions for the previous financial year from the current fiscal year contributions. The net change in unearned contributions decreased from SAR 75.4 million on December 31, 2011G. to SAR 49.4 million at the end of 2013G, a compound annual decline of (19.07%) due to the growing Takaful contributions written for the financial year and the decline related to the applicable risks after the fiscal year.

7-4-1-7 Total subscription revenues

Total subscription revenues grew from SAR 278.17 million at the end of 2011G. to SAR 520.8 million at the end of 2013G; at a compound annual growth rate (CAGR) of 36.83%.The main reason behind the rise is the growth in net earned Takaful contributions. Total underwriting revenues include net Takaful earned contributions, policy fees and other revenues and Re-Takaful commissions as shown below:

Table 7-35: Total subscription revenues

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net Takaful earned contributions	269,434	406,084	506,444	37.10 %
Policy fees and other income	902	1,284	1,038	7.27%
Re-Takaful Commissions	7,830	12,960	13,335	30.50%
Total underwriting revenues	**278,166**	**420,328**	**520,817**	**36.83%**

Source: Audited financial statements

7-4-1-8 Policy and other income fees

policy and other income fees grew from 902 thousand SAR fees at the end of 2011G. to SAR 1.28 million on December 31, 2012G. and then fell to SAR 1.04 million in 2013G. As a result, policy and other income fees rose at a CAGR of 7.27%, and the main reason for the growth of this item in 2012G. and then decline in 2013 G. is the a total growth of Takaful written contributions from general insurance activity in 2012 and the decline in 2013G.

7-4-1-9 Re-Takaful Commissions

Re-Takaful commissions have increased during the past three years at a compound annual growth rate of 30.5%, rising from SAR 7.8 million at the end of 2011G. to SAR 13.3 million on December 31, 2013G,where it grew in 2012G as a result of the high rate of general Takaful contributions which generate a Re-Takaful commission that is higher than Health and Motor Takaful, while it rose in 2013G despite a decline in general Takaful and decrease of Re-Takaful because part of

the Re-Takaful unearned commissions became due in 2013 where the item of unearned Re-Takaful commissions dropped than 6 million SR in 2012G to 4.3 million SR in 2013G.

7-4-1-10 Net claims paid

Net claims paid rose from SAR 163.28 million at the end of 2011G to SAR 366.77 million on December 31, 2013G; a compound annual growth rate stood of 49.88%, due to the growth of total claims paid. The net claims paid is calculated by subtracting Re Takaful Reinsurers' share of claims paid from the total claims paid. The table below shows how the net claims paid are calculated:

Table 7-36: Net claims paid

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Total claims paid	214,093	374,024	441,026	43.53%
Minus: Re-Takaful share of claims paid	-50,817	-89,984	-74,261	20.89%
Net claims paid	**163,276**	**284,040**	**366,765**	**49.88%**

Source: Audited Financial Statements

7-4-1-11 Total paid claims

The item of total claims paid represent the amounts that the Company has paid to insured to compensate them for the losses suffered as a result of the occurrence of the insured risk. The total claims paid amounted to 214.09 million during the year 2011G compared to 441.03 million during the year 2013G, that increased at a compound annual growth rate of 43.53% due to the growth of Takaful operations during the period (Takaful contributions).

7-4-1-12 Re Takaful Reinsurers' share of claims paid

This item represents the Re Takaful reinsurers' share of Takaful claims that the Company paid to the insured to compensate them for the losses they have suffered as a result of the occurrence of the risk insured against. The Re Takaful reinsurers' share of the Takaful claims paid rose from SAR 50.82 million at the end of the year 2011G To SAR 90 million on December 31, 2012G, then decreased to SAR 74.26 million on December 31, 2013G. As a result, it increased at a compound annual growth rate of 20.89%. The main reason behind the growth in 2012G and then decline in 2013G is the rise in assigned Re-Takaful contributions in 2012G and the decrease in contributions in 2013G.

7-4-1-13 Net claims incurred

Net claims incurred rose from SAR 191.72 million in 2011G to SAR 427.81 million in 2013G; a compound annual growth rate of 49.4%. Net claims paid are calculated by adding the Net movement in outstanding claims to the net claims paid. The table below shows how to calculate the net claims incurred during the years ended on December 31, 2011G, 2012G and 2013G:

Table 7-37: Net claims incurred

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net claims paid	163,276	284,040	366,765	49.88%
Movement in outstanding claims, net	28,448	32,101	61,024	46.46%
Net claims incurred	**191,724**	**316,141**	**427,807**	**49.38%**

Source: Audited Financial Statements

It is noted from the table above that the reason behind the rise in net claims incurred is the rise in net claims paid and movement in outstanding claims as a result of increasing the Company's business and written contributions.

7-4-1-14 Movement in outstanding claims, net

The net movement in outstanding claims represents the change that has occurred in the outstanding claims item . Net movement in outstanding claims has risen from SAR 28.4 million in 2011G to SAR 61.0 million in 2013G, a CAGR of 46.46% due to the growth of outstanding claims item as a result of increasing the Company's business and Takaful written contributions .

7-4-1-15 Total claims and other expenses

Total claims and other expenses have increased from SAR 223.23 million on December 31, 2011G to SAR 456.76 million at the end of the year 2013G, a CAGR of 43.04%. The total claims and other expenses are calculated by adding together the net claims incurred and fees for supervision, inspection, the cost of insurance policy underwriting, provision for doubtful debts and other expenses and then subtracting other income. The table below shows how to calculate the total claims and other expenses during the years ended on December 31, 2011G, 2012G and 2013G:

Table 7-38: Total claims and other expenses

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net claims incurred	191,724	316,141	427,807	49.38%
Supervision and inspection fees	4,478	3,916	4,873	4.32%
Policy underwriting costs	18,472	26,482	23,504	12.80%
Provision for doubtful debts	8,532	2,052	2,172	49.54%
Other expenses	25	26	299	245.83%
Other income	-	-	1,891-	-
Total claims and other expenses	**223,231**	**348,617**	**456,764**	**43.04%**

Source: Audited Financial Statements

7-4-1-16 Supervision and inspection fees

They are the fees and charges to be paid to the Council of Cooperative Health Insurance and the Saudi Arabian Monetary Agency. The supervision and inspection fees rose from SAR 4.48 million at the end of 2011G to SAR 4.87 million at the end of 2013G, so it grew at a CAGR of 4.32%.

7-4-1-17 Policy Underwriting Costs

Policy Underwriting Costs have risen from SAR 18.47 million at the end of 2011 to SAR 23.5 million in the December 31, 2013, which is a compound annual growth rate of 12.8%. as a result of the increase in Takaful written contributions.

7-4-1-18 Provision for doubtful debts

provision for doubtful debts has dropped from SAR 8.5 million in 2011G to SAR 2.2 million in 2013G; a compound annual decline rate of 49.5%. due to the decrease of total Receivable Takaful contributions during the 2013G.

7-4-1-19 Other Expenses

This item represents the banking expenses and fees related to insurance operations. Other Expenses have risen from 25 thousand Riyals rose in 2011 to 299 thousand Riyals in 2013G, an average compound annual growth rate of 245.83% as a result of increasing the Company's businesses and the number of its transactions.

7-4-1-20 Other income

No other income were recorded during the years 2011 and 2012G, while the income amounted to SAR 1.9 million in 2013 where, in 2013G, the Company received size discounts provided by the health service providers for claims in 2011G and recorded as other income in the year 2013G.

7-4-1-21 Underwriting surplus Net

Underwriting Surplus Net of Takaful operations is calculated by subtracting the total claims and other expenses from the total underwriting revenues. Underwriting surplus Net rose from SAR 54.9 million at the end of 2011G to SAR 64.1 million on December 31, 2013G, a CAGR of 7.98% due to the rise of net earned Takaful contributions .The following table shows the Underwriting surplus Net account:

Table 7-39: Net underwriting surplus

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Total underwriting revenues	278,166	420,328	520,817	36.83%
Minus: total claims and other expenses	-223,231	-348,617	-456,764	43.04%
Net underwriting surplus	**54,935**	**71,711**	**64,053**	**7.98%**

Source: Audited Financial Statements

The following table shows the net surplus subscription details by product since 2011G and until the end of 2013G:

Table 7-40: Net underwriting surplus details by source

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	18,467	17,110	19,928	3.88%
Health Takaful	30,180	36,082	28,145	3.43-%
General Takaful	6,288	18,519	15,980	59.42%
Total	**54,935**	**71,711**	**64,053**	**7.98%**

Source: Audited Financial Statements

It is noted from the table above that the Underwriting surplus Net for Motor Takaful and General Takaful rose at a CAGR of 59.4% and 3.9% respectively since 2011G till the end of 2013G. The following table shows the percentage of contribution of each source in the total Underwriting surplus Net during the years ended on December 31, 2011G and 2012G and 2013G:

Table 7-41: Contribution of each source ratio in total net underwriting surplus

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	33.62%	23.86%	31.11%	3.80-%
Health Takaful	54.94%	50.32%	43.94%	-10.57%
General Takaful	11.45%	25.82%	24.95%	47.63%
Total	**100.00%**	**100.00%**	**100.00%**	**0.00%**

Source: Audited Financial Statements

It is noted from the table above the decrease of the percentage of contribution of each of the Motor Takaful and Health Takaful of Underwriting surplus net during the previous three years at an annual compound rate of 3.8% and 10.6%, respectively, while the percentage of General Takaful contribution of Underwriting surplus net increased by a compound annual growth rate of 47.6%. It is worth noting that there was a decrease in the of contribution of Motor Takaful in Underwriting surplus net during the previous three years despite the increase in the total underwriting contributions at a CAGR of 36.8%. The following table shows the Underwriting surplus net of the total Takaful written contributions per the service:

Table 7-42: Net contribution surplus ratio of the total Takaful written contributions by source

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Motor Takaful	7.90%	4.50%	4.55%	-24.07%
Health Takaful	14.98%	28.85%	14.86%	-0.39%
General Takaful	10.84%	19.33%	25.54%	53.50%
Total	**11.14%**	**11.93%**	**9.29%**	**-8.67%**

Source: Audited Financial Statements

It is noted from the above table that Underwriting surplus net for Motor Takaful Motors has decreased growth at a CAGR of 24.1% from 7.9% in 2011 to 4.6% at the end of 2013.

7-4-1-22 Investment income (revenues)

represents Investment income in the Takaful operations represents revenues generated by trading in commodities fund. Investment income rose from 365,000 SAR at the end of 2011G to SAR 1.3 million on December 31, 2013G, a CAGR of 88.7%.due to the improvement in revenues generated from trading in commodities fund in 2012G and 2013G in addition to increased investments in trading in commodities fund (commodities available for sale) in the Takaful operations during the year 2012G and the increase in the sales and purchases operations which have been made to those investments in 2013G, and thus the capital revenues generated from it.

7-4-1-23 Management fees

This item represents the fees charged by the Company for administering the Takaful operations and investments relating to the Takaful operations. It is calculated as a percentage of the Takaful contributions and the percentage is determined by the Board of Directors. The management fees have decreased from SAR 176.7 million at the end of 2011G to SAR 65.4 million on December 31, 2013G, an annual compound rate of (39.19%). The main reason behind the decline is that in the year 2011G management fees were calculated as a percentage Takaful contributions while starting from 2012G , management fees were calculated as a percentage of Total adjusted Takaful net contributions where Takaful contributions net values is adjusted to reflect Re-Takaful commissions revenues and production costs. Also, a maximum management fee limit was determined starting from 2012G, the equivalent of underwriting net surplus and investment income.

7-4-1-24 Year net deficit

The annual net deficit is calculated by adding of total investment income to net underwriting surplus and then subtracting the management fees. The net deficit of the year transferred to shareholders' operations was SAR 121.4 million in 2011G, while there was no deficit in 2012G and 2013G. This is because starting in 2012G, management fees were limited to up to a maximum equal to the underwriting net surplus and investment income. The following table shows how to calculate the net deficit of the year:

Table 7-43: Net year deficit

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net underwriting surplus	54,935	71,711	64,053	7.98%
Investment Income	365	670	1,300	88.72%
Management fees	-176,721	-72,381	-65,353	-39.19%
Net deficit for the year	-121,421	-	-	-
Net deficit transferred to shareholders' operations	121,421	-	-	-
Net result of the year	-	-	-	-

Source: Audited Financial Statements

7-4-1-25 Total (loss) Comprehensive income for the year

Total comprehensive income for the year has reached 78,000 SAR in 2011G, but it turned into a loss of 53,000 SAR as of the end of 2013G. The total (loss) Comprehensive income for the year is calculated by adding the net outcome of the year to the net change in fair value of the Available for sale investments. The following table shows how to calculate the total (loss) Comprehensive income for the year:

Table 7-44: Total (loss) Comprehensive income for the year

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Net result of the year	-	-	-	-
Net change in fair value of investments available for sale	78	104	-53	-
Total (loss) Comprehensive income for the year	**78**	**104**	**-53**	**-**

Source: Audited Financial Statements

7-4-1-26 Net change in fair value of available for sale investments

This item represents the change in fair value of available for sale investments which consists of commodity trading fund. The net change in fair value of available for sale investments was 78 thousand Riyals in 2011G, but it turned into a loss of 53 thousand Riyals at the end of 2013G. The main reason behind this decline was the volatility in the fair value of the unit in the Commodity Trading Fund, where its price rose in 2011 and 2012, while decreased in 2013G.

7-4-2 Shareholders' operations

7-4-2-1 Revenues

Shareholders' operations are represented by income earned from Takaful operations which is also called management fees. This is also generated by dividends, net profits of the investments which fair value is included by income statement , and profits generated from the sale of available for sale investments, and also from special commission income from investment held to maturity.

The total revenue of shareholders' operations decreased from about SAR 181 million for the period ended on December 31, 2011G to about SAR 79.7 million at the end of 2013G, with a compound annual decline rate of about 33.65% due to decrease of management fees.

The table below shows the details of the Company's total revenues for shareholders' operations since 2011 until the end of 2013G:

Table 7-45: Revenues of shareholders' operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Management fees	176,721	72,381	65,353	-39.19%
Dividends distribution	974	2,103	2,307	53.90%
Net profits of investments which fair value is included in the income statement	-281	2,433	8,412	-
profits generated from sale of investments available for sale	1,797	473	1,243	-16.83%
Special commissions from investments held to maturity	1,812	4,234	2,388	08.41%
Total revenues	**181,023**	**81,624**	**79,703**	**033.65%**

Source: Audited Financial Statements

7-4-2-2 Management fees

This item represents the fees received by the Company for the management of Takaful operations and investments related to the Takaful operations .It is calculated as a percentage of Takaful contributions and the percentage is determined the by the Board of Directors. Management fees decreased from SAR 176.7 million at the end of 2011 to SAR 65.4 million on December 31, 2013G, with a CAGR of 39.19% .The main reason behind this decline was that in 2011G, the management fees were being calculated as a percentage of total Takaful contributions while by 2012G, such fees began to be calculated as a percentage of net Takaful contributions which is adjusted to reflect Re-Takaful commissions revenues and production costs. Maximum management fees started to be adjusted since 2012G, to be equal to net underwriting surplus and investment income.

7-4-2-3 Profits distributions (Dividend)

This item represents distributions dividends for investments in the shares portfolio listed in the Saudi exchange «Tadawul». Dividends increased from 974 thousand Riyals at the end of 2011 to about SAR 2.3 million on December 31, 2013G, (i.e with a CAGR of 53.9%) as a result of the high volume of investments in shares portfolio.

7-4-2-4 Net profits of investments which fair value is listed through the income statement

The Company has generated net profits from investments which fair value is listed through the income statement at an amount of SAR 8,4 million at the end of 2013G compared to a loss of 281 thousand Riyals on December 31, 2011G. The profits of these investments depend on the overall index and the management of the fund manager. In the years 2012 and 2013G prices increased, whereas decreased in 2011G.

7-4-2-5 Profits generated from the sale of investments available for sale

Profits generated from the sale of investments available for sale decreased from SAR 1,8 million in 2011 to SAR 1.2 million in 2013G, a CAGR of 16.8% because of the decrease of percentage of positive change in the market value of investments that were sold during the period.

7-4-2-6 Special commission income on investments held to maturity

There has been a divergence in the special commissions income on investments held to maturity , where it rose in 2011G from SAR 1.8 million to SAR 4.2 million in 2012G and then decreased to SAR 2.4 million on December 31, 2013G. As a result, this item increased with a CAGR of 14.8%. The reason for the increase of this item in 2012G was that the profits earned in this year were more than the investments held to maturity that were bought at the end of 2011G, while the decline in 2013G was due to a decrease in the investments held to maturity.

7-4-2-7 General and administrative expenses

There has been a divergence in General and administrative expenses, which decreased from about SAR 91.6 million for the period ended on December 31, 2011G to SAR 80.8 million on December 31, 2012G ,and then rose to about SAR 101 million on December 31, 2013G, which led to its increase at a CAGR of 5% .The decrease in 2012G was attributed to the decrease of legal and professional fees from SAR 17.9 million in 2011 to SAR 6.6 million in 2012G while its increase in 2013G was due to the increased growth of staff costs as a result of the Company's business growth. The table below shows the different items of general and administrative expenses:

Table 7-46: General and administrative expenses

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR %
Staff costs	54,792	54,851	69,663	12.76%
legal and professional fees	17,936	6,552	8,351	-31.77%
Office expenses	7,138	7,345	8,311	7.90%
IT expense	3,211	3,197	5,813	34.55%
Depreciation	3,290	5,415	5.7	-95.84%
Advertising & marketing	3,694	2,215	1,409	-38.24%
Travel & lodging	736	436	909	11.13%
Communications	711	739	765	3.73%
Others	69	89	125	34.60%
Total general and administrative expenses	91,577	80,839	101,046	5.04%

Source: Audited Financial Statements

7-4-2-8 Net deficit transferred from Takaful operations

Net deficit transferred from Takaful operations was SAR 121.4 million in 2011G, while there was no net deficit of Takaful operations in the years 2012 and 2013G.

7-4-2-9 Net (loss) income before Zakat

Net (loss) income before Zakat is calculated by subtracting total general and administrative expenses and subtracting the net deficit transferred from Takaful operations from total revenues. Net loss before Zakat has decreased from SAR 31.98 million for the period ended on December 31, 2011G to about SAR 21.34 million in 2013G, with a CAGR of 18.3% due to decline of revenues at a lower rate of the decline of expenses. The following table shows the net loss before Zakat:

Table 7-47: Net loss before Zakat of shareholder's operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR (100%)
Total revenues	181,023	81,624	79,703	-33.65%
Minus general and administrative expenses	-91,577	-80,839	-101,046	5.04%
Minus net deficit transferred from Takaful operations	-121,421	-	-	-100.00%
(Loss) income before Zakat	-31,975	785	-21,343	-18.30%

Source: Audited Financial Statements

7-4-2-10 Net loss for the year

To calculate the net loss for the year, the loss is taken before Zakat and the provision for Zakat is deducted from it. The Company's net loss decreased from about SAR 32.9 million for the period ended on December 31, 2011G to about SAR 22.3 million in 2013G with an increase of CAGR by 17.6% due to decrease in the loss before Zakat during the same period. The following table shows the net loss for the year:

Table 7-48: Net loss for the year of shareholder's operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR (100%)
(Loss) income before Zakat	-31,975	785	-21,343	-18.30%
Zakat provision	-930	-1,362	-1,001	3.75%
Net loss for the year	**-32,905**	**-577**	**-22,344**	**-17.60%**

Source: Audited Financial Statements

7-4-2-11 Loss of basic share

Loss of basic share for the year / period is calculated by dividing the net loss for the year / period on the number of outstanding shares at the end of the period which amount 20 million shares. The share loss has fluctuated during the study period, where the loss declined from SAR 1.65 per share in 2011 to 0.03 Riyals per share in 2012G and then rose to a loss of 1.12 Riyals per share, in the year 2013G; a CAGR of 17.6%.

7-4-2-12 Total Comprehensive (loss) income for the year

Total comprehensive loss for the year was 34.05 million riyals in 2011, while it became 22.3 million riyals at the end of 2013. Total Comprehensive (loss) income for the year is calculated by adding net loss for the year to the net change in fair value of available for sale investments. The following table shows how to calculate the total comprehensive (loss) income for the year:

Table 7-49: Total Comprehensive (loss) income of the year for shareholder's operations

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR (100%)
Net loss for the year	-32,905	-577	-22,344	-17.60%
Change in fair value of investments available for sale	-1,145	-	49	-
Total Comprehensive (loss) income for the year	**-34.05**	**-577**	**-22.295**	**-19.08%**

Source: Audited Financial Statements

7-4-2-13 Net change in fair value of available for sale investments

This item represents the change in fair value of available for sale investments, which consists of commodity trading fund. Net loss change in fair value of available for sale investments was 1.15 million riyals at the end of 2011, but it turned into a profit of 49 thousand riyals at the end of 2013.The reason behind this was the change in the fair value per unit in the Commodity Trading Fund where it decreased in 2011, but it did not change in 2012 while it rose in 2013.

7-5 Statement of cash flows

The following table shows the statement of cash flows of the participants in Takaful operations and the statement of cash flows for the shareholders of Al Rajhi Takaful Company:

Table 7-50: Statement of cash flows

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Average
First: cash flows of the participants in				
Takaful operations				
Operating activities				
Net result of the year	-	-	-	-
Adjustments for :				
Administrative fees	-	72,381	65,353	68,867
Provision for doubtful debts	8,532	2,052	2,172	4,252
Net surplus before change in operating assets and liabilities	**8,532**	**74,433**	**67,525**	**50,163**
Changes in operating assets and liabilities				
Dues from shareholders' operations	-121,421	-6,045	66	-42,467
Receivable Takaful Contributions	-34,433	-51,866	38,221	-16,026
Amount due from related parties	-	1,561	-400	581
Amount due to related parties	-	-	-927	-927
Advances , payments and other assets	-11,635	6,622	-1,575	-2,196
Share of Re-Takaful from outstanding Claims	-29,124	3,078	-23,271	-16,439
Share of Re-Takaful from Takaful unearned contributions	-35,242	-2,894	-13,190	-17.109
Costs of underwriting deferred insurance policies	-10,747	2,523	2,045	-2,060
Total outstanding Claims	71,936	29,023	84,313	61,757
Accounts payable , accruals, and other liabilities	19,950	2,991	2,426	8,456
Re Takaful payable balances	44,053	-19,425	-28,534	-1,302
Total Takaful unearned contributions	110,613	43,113	62,556	72,094
Unearned commissions	3,525	442	-1,703	755
Deposits against letters of guarantee	200	-3,478	-4,573	-2,617

Paid management fees	35,620	-89,135	-72,546	-42,020
Net cash from (used in) operating activities	**51,827**	**-9,057**	**110,433**	**51,068**
Investment activities				
Maturity of investment held to maturity	-7,000	7,000	-	-
Purchase of investments available for sale	-130,000	-195,000	-438,500	-254,500
Sale of investments available for sale	99,862	195,042	452,702	249,202
Net cash from investing activities	-37,138	7,042	14,202	-5,298
Increase / (decrease) in cash and cash equivalents	14,689	-2,015	124,635	45,770
Cash and cash equivalents at beginning of year	29,211	43,900	41,885	38,332
Cash and cash equivalents at end of year	43,900	41,885	166,520	84,102
Additional non-cash information				
Change in fair value of investments available for sale	78	104	53-	43
Second: Statement of shareholders cash flows :				
operating activities				
Net loss for the year	-32,905	-577	-22,344	-18,609
Adjustments for:				
Depreciation	3,290	5,415	5,700	4,802
Administrative fees	-	-72,381	-65,353	-68,867
Zakat provision	930	1,362	1,001	1,098
End of service benefits for employees	1,167	1,045	1,413	1,208
Net profits of investments at EVIS	281	-2,433	-8,412	-3,521
Income statement				
Net deficit before changes in operating assets and liabilities	**-27,237**	**-67,569**	**-87,995**	**-60,934**
changes in operating assets and liabilities				
Amount due from related parties	-179	-317	1,274	259
Advances , prepayments and other assets	-12,456	8,384	-1,245	-1,772
Accounts payable , accruals, and other liabilities	4,249	-3,262	-712	92
Amounts due to Takaful operations	121,421	6,045	-66	42,467
Received management fees	-35,620	89,135	72,546	42,020
Paid Zakat	-2,828	-1,853	-	-2,341
Net cash (used in) from operating activities	**47,350**	**30,563**	**-16,198**	**20,572**
investment activities				
Purchase of property and equipment, Net	-7,562	-7,790	-5,802	-7,051
Purchase of investments available for sale		-122,700	-459,500	-174,899
Sale of investments available for sale	57,502	122,351	444,757	283,554

Purchase of investments at EVIS	-9,883	-15,919	-20,809	-15,537
Sale of investments at EVIS	-	17,559	19,032	18,296
Due investments held to maturity	28,000	197,175	124,710	116,628
Purchase of investments held to maturity	-197,175	-112,710	-88,800	-132,895
Net cash from investing activities	**-129,118**	**77,966**	**13,588**	**-12,521**
(Decrease) / Increase in cash and cash equivalents	**-81,768**	**108,529**	**-2,610**	**8,050**
Cash and cash equivalents at beginning of year	82,979	1,211	109,740	64,643
Cash and cash equivalents at end of year	**1,211**	**109,740**	**107,130**	**72,694**
Additional non-cash information				
Change in fair value of investments available for sale	-1,145	-1,145	49	-747

Source: Audited Financial Statements

7-5-1 The statement of cash flows for Takaful operations

Statement of cash flows for Takaful operations consists of cash flows from operating and investing activities in the following manner:

7-5-1-1 Cash flows from operating activities

Net cash flows from operating activities has recorded a cash flow that amounted to about 51.8 and 110.4 million riyals on December 31, 2011 and 2013 respectively, with a CAGR of 45.97%. The changes in operating assets and liabilities, particularly Total Outstanding claims and total Takaful unearned contributions were the most important items that form cash flows from operating activities of Takaful operations. It is also noted that cash flows from operating activities have recorded Outflow in 2012 which amounted to 9.06 million riyals due to high Receivable Takaful contributions and paid management fees in that year.

7-5-1-2 Cash flows from investment activities

Cash flows from investment activities resulted in net negative cash (outflow cash) of about 37.1 million riyals for the period ended in December 31, 2011 in spite of the proceeds from of the sale of available for sale investments amounting to 99.9 million riyals, due to the purchase of investments available For sale at an amount of 130 million riyals and Purchase of investments held to maturity at an amount of 7 million riyals. As at the end of 2012, cash flows from investing activities showed a positive balance (cash inflow) at an amount of 7million riyals, as a result of inflow generated as a result of certain investments held to maturity .As for 2013, cash flow showed a positive balance of investment (inflow) of about 14.2 million riyals, as a result of the revenues of the sale of investments available for sale at an amount of 452.7 million riyals, which is higher than the purchase of investments available for sale that amounted to 438.5 million riyals in 2013.

7-5-1-3 Cash and cash equivalents at end of year

Cash and cash equivalents at the end of the period / year are calculated by adding the amount of cash at the beginning of the period / year to the net increase / (decrease) in cash and cash equivalents., since the item increase / (decrease) in cash and cash equivalents equal to net cash from (used in) operating activities added to it the net cash from investment activities. Cash at the end of the period / year has increased from SAR 43.9 million on December 31/2011G to about SAR 166.5 million at the end of 2013G, and that was due to the cash balance available in the first year and the increase of cash generated from operating activities during the period, as shown in the table below:

Table 7-51: Cash and cash equivalents at end of year

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Average
Net cash from (used in) operating activities	51,827	-9,057	110,433	51,068
Net cash from investment activities	-37,138	7,042	14,202	-5,298
Increase/(decrease) in cash and cash equivalents	14,689	-2,015	124,635	45.77
Cash and Cash Equivalents at the beginning of the year	29,211	43,900	41,885	38.332
cash and Cash Equivalents at the end of the year	**43,900**	**41,885**	**166,520**	**84.102**

Source: Audited Financial Statements

7 -5-2 Statement of cash flows of shareholders

Statement of cash flows of shareholders consists of cash flows from operating and investment activities in the following manner:

7-5-2-1 Cash flows from operating activities

Net cash flows from operating activities recorded (cash inflow) which almost amounted to SAR 47.4 million, for the period ended on December 31, 2011 and then fell to SAR 16.2 million in 2013G.The main reason behind the achievement of negative cash flows from operating activities in 2013 was the losses incurred by the shareholders' operations which amounted to about SAR 22.3 million and the non-received management fees , amounting to SAR 65.4 million.

7-5-2-2 Cash flows from investment activities

Cash flows from investment activities resulted in negative net cash (cash outflow) of SAR 129.1 million for the period ended on December 31, 2011G, due to the purchase of investments held to maturity at an amount of SAR 197.2 million. As at the end of 2013G, cash flows from investment activities showed a positive balance (cash inflow) of about 13.6 million riyals, as a result of the proceeds gained from the sale of investments held-to maturity of SAR 124.7 million.

7-5-2-3 Cash and cash equivalents at the end of the period / year

Cash and cash equivalents on December 31, 2011 amounted SAR 1.2 million, while at the end of 2013G, it amounted

SAR 107.1 million, with an increased CAGR of 840.6%. Cash and cash equivalents balance is produced at the end of the period / year from the addition of net cash flows from each of the operating and investment activities plus the cash balance and cash equivalents at the beginning of the period / year, as the table below shows:

Table 7-52: Cash and cash equivalents at the end of the period / year for shareholders operation

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Average
Net cash from (used in) operating activities	47,350	30,563	-16.198	20,572
Net cash from investment activities	-129,118	77,966	13,588	-12,521
Increase/decrease in cash and Cash Equivalents	-81,768	108,529	-2,610	8,050
Cash and Cash Equivalents at the beginning of the year	82,979	1,211	109,740	64,643
Cash and Cash Equivalents at the end of the year	**1,211**	**109,740**	**107,130**	**72,694**

Source: Audited Financial Statements

7-6 Key ratios and financial indicators

The following table summarizes the most important Financial Ratios and indicators of the Company's performance for the three years ended on December 31, 2011, 2012 m and 2013G:

Table 7-53: Key ratios and financial indicators

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	CAGR (100%)
Takaful operations				
Retention index	69.90%	74.30%	80.60%	7.38%
Net earned contributions as a percentage of total underwritten contributions	54.60%	67.60%	73.40%	15.94%
Loss index	71.20%	77.90%	84.50%	49.8%
The Company's share of claims as a percentage of total claims paid	76.30%	75.90%	83.20%	4.42%
Commission income as a percentage of ceded contributions	5.30%	8.60%	10.20%	38.73%
Net commission Index	3.60%	3.00%	1.80%	-29.29%
Underwriting expenses index	1.10%	1.50%	1.10%	00.0%
Surplus/ Deficit of subscription as a percentage of total underwritten contributions	11.10%	11.90%	9.30%	-8.47%
Net year Deficit as a percentage of total underwritten contributions	-24.60%	0.00%	0.00%	-100.00%
Accumulative loss index	79.60%	82.30%	87.30%	4.73%
Receivable premiums /total underwritten contributions	12.50%	18.50%	10.30%	-9.23%
Collection period (days)	45.5	67.6	37.5	-9.22%
Shareholders operations				
General and administrative expenses of shareholders as a percentage of total written premiums	-18.60%	-13.50%	-14.70%	-11.10%
profits and losses of shareholders as a percentage of total written premiums	-6.70%	-0.10%	-3.20%	-30.89%

Source: Audited Financial Statements

The following table shows the statement of financial position of the Company for the first half ended June 30, 2014G:

Table 7-54: Statement of financial position for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Takaful operations Assets			
Bank balances and cash	90,410	269,893	198.52%
Amounts due from shareholders' operations	204,377	203,658	-0.35%
Receivable Takaful Contributions, Net	154,584	143,103	-7.43%
Investments available for sale	14,685	21,890	49.06%
Advances, pre payments and other assets		11,704	
Share of Re-Takaful from outstanding Claims	70,243	81,322	15.77%
Takaful reinsurers' share of Takaful unearned contributions	96,786	69,125	-28.58%
Costs of underwriting deferred policies	9,957	14,497	45.60%
Total assets of the Takaful operations	**641,042**	**815,192**	**27.17%**
Assets of shareholders' operations			
Bank balances and cash	116,661	56,889	-51.24%
Receivable Administration fees	9,139	36,877	303.51%
investments at EVIS	37,820	45,921	21.42%
Investments available for sale	17,158	18,476	7.68%
investments held to maturity	74,710	106,800	42.95%
Advances ,pre payments and other assets	14,638	16,085	9.89%
Statutory deposit	20,000	20,000	0.00%
Property and equipment, net	18,059	19,187	6.25%
Total shareholder operations' assets	**308,185**	**320,235**	**3.91%**
Total assets	**949,227**	**1,135,427**	**19.62%**
Liabilities and surplus of Takaful operations			
Liabilities of Takaful operations			
Total outstanding Claims	159,716	251,256	57.31%
Payables, Accruals, and other liabilities	29,095	18,524	-36.33%
Re Takaful Accounts Payable	76,799	36,111	-52.98%
Total Takaful unearned contributions	362,366	462,553	27.65%
Re-Takaful unearned Commissions	3,876	9,829	153.59%
Total liabilities of Takaful operations	**640,991**	**815,150**	**27.17%**
Surplus of Takaful operations			
Reserve for fair value of investments available for sale	52	42	-19.23%

Total liabilities and surplus of Takaful operations	**641,043**	**815,192**	**27.17%**
Liabilities of shareholders' equity and operations			
Liabilities of shareholders' operations			
Zakat provision	1,919	3,142	63.73%
Payable, accruals, and other liabilities	7,338	5,441	-25.85%
Amounts due for Takaful operation	204,377	203,658	-0.35%
End of service benefits for employees	4,105	5,982	45.72%
Total liabilities of shareholders' operations	**217,739**	**218,223**	**0.22%**
Shareholders' equity			
Capital	200,000	200,000	0.00%
Accumulated losses	-109,598	-98,037	-10.55%
Reserve of the fair value of investments available for sale	44	49	11.36%
Total shareholders' equity	**90,446**	**102,012**	**12.79%**
Total Liabilities of shareholders' equity and operations	**308,185**	**320,235**	**3.91%**
Total liabilities and surplus of Takaful operations and Liabilities of shareholders' equity and operations	**949,228**	**1,135,427**	**19.62%**

Source: Audited Financial Statements

7-7-1 Assets

The assets are represented by Takaful operations assets and shareholders' operations assets. Assets have amounted to 949.2 million riyals in the period ended at the first half of 2013 compared to SAR 1135.4 million in the period ended at the first half of 2014G, which means a growth rate of about 19.6% and the main supporter behind this growth is the growth of the assets of Takaful operations that have grown with a rate of 27.17%:

Table 7-55: Assets for the first half of 2014G

SAR'000	EOY December 31, 2011	EOY December 31, 2012	EOY December 31, 2013	Change (%)
Net loss for the year	-32,905	-577	-22,344	-17.60%
change in fair value of investments available for sale	-1,145	-	49	-
Total Comprehensive (loss) income for the year	**-34.05**	**-577**	**-22.295**	**-19.08%**

Source: Audited Financial Statements

7-7-2 Assets of Takaful operations

Assets of Takaful operations formed 71.8% of total assets as at the end of the first half of 2014G compared to 67.53% in the first half of 2013G, whereas total assets of Takaful operations increased from SAR 641.0 million at the end of the first half of 2013G to about SAR 815.2 million in the period ended at the end of the first half of 2014G, with a CAGR of 27.2%, driven by Bank balances growth and cash in hand at an amount of SAR 90.4 million to about SAR 269.9 million.

Table 7-56: Assets of Takaful operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Cash at bank and in hand	90,410	269,893	198.52%
Amounts due from shareholders' operations	204,377	203,658	-0.35%
Receivable Takaful contributions, Net	154,584	143,103	-7.43%
Investments available for sale	14,685	21,890	49.06%
Advances , prepayments and other assets	0	11,704	
Share of Re-Takaful from outstanding Claims	70,243	81,322	15.77%
Share of Re-Takaful from unearned Takaful contributions	96,786	69,125	-28.58%
Costs of acquiring deferred insurance policies	9,957	14,497	45.60%
Total assets of Takaful operations	641,042	815,192	27.17%

Source: Audited Financial Statements

The following is a brief explanation of each item of assets Takaful operations:

7-7-2-1 Balances in banks and cash in hand

Balances in banks and cash in hand as for Takaful operations represent cash in hand and Company's accounts at banks and letter of guarantee insurance. Balances in banks and cash in hand have grown with growth rate of approximately 198.5%, as they grew to SAR 269.9 million at the end of the first half of 2014G compared to SAR 90.4 million in the first half of 2013G. The increase was mainly due to the increase in the size of the Company's business and the growth of the total outstanding claims of Takaful operations.

7-7 -2-2 Amounts due from shareholders' operations

This account represents amounts due from shareholders' operations to policyholders (Takaful operations) and this item is generated as a result of the net deficit transferred from Takaful operations to shareholders' operations in 2010 and 2011G where the deficit of 75.4 and SAR 121.4 million has been transferred in the years 2010 and 2011G, respectively to total amount of SAR 196.8 million.

As for 2012 and 2013G there was no net deficit to be transferred to shareholder's operations, due to the limitation of a maximum management fees. The amounts due from shareholders' operations were stable during the period where they amounted to SAR 204.4 million at the end of the first half of 2013SAR and fell slightly to SAR 203.7 million in the first half of 2014G.

7-7-2-3 Net Takaful Receivable contributions

These accounts represent net amounts of subscription which were not received by policyholders. These accounts are calculated by subtracting a provision for doubtful debts from total Takaful receivable contributions. Total due from policyholders amounted to about SAR 158.2 million in the period ended the first half of 2014G compared to 167.7 in the first half of 2013G, which means a decline in growth rate of 5.7-% and the main reason behind such decline was the decline of receivable Takaful contributions from related bodies, which fell at a rate of 21.4% where sums were collected from major key accounts such as Al Rajhi Bank., while net Receivable Takaful contributions have witnessed a decline at a rate of 7.43%, which was a decline higher than total Takaful Receivable contributions which was due to the growth of the provision for doubtful debts at a growth rate of 15.15%. The following table shows the details of net Takaful Receivable contributions:

Table 7-57: Takaful Receivable Contributions for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Due from policyholders			
External policyholders	63,172	76,035	20.36%
Related Parties	104,554	82,201	-21.38%
Total Takaful Receivable contributions	167,726	158,236	-5.66%
Allocation of doubtful debts	-13,142	-15,133	15.15%
Net Takaful Receivable contributions	**154,584**	**143,103**	**-7.43%**

Source: Audited Financial Statements

7-7-2-4 Investments available for sale

This item represents the investments held for trading to cover the unit-linked liabilities. Available for sale of investments consist of investments in commodities trading fund. This item is calculated by adding the investments purchased during the period to the balance of the beginning of the period then subtracting the sold investments and adding the unrealized net profit or deducting the net loss for the period. Investments available-for-sale of Takaful operations totaled about SAR 14.7 million at the end of the first half of 2013G compared to almost SAR 21.9 million in the first half of 2014SAR with a registered growth rate of 49.1% and the main supporter behind the rise in the growth of this item was the investments available for sale purchased during the period at a rate of 256.1% which was higher than that of investments available for sale sold during the period of 214.5%. The table below shows the movement of investments available for sale during the period:

Table 7-58: Movement of Investment available for sale for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
At the beginning of the period / year	30,200	15,945	-47.20%
Purchased during the period / year	132,000	470,000	256.06%
Sold during the period / year	-147,567	-464,046	214.46%
Net unrealized profit / loss for the period / year	52	-9	-117.31%
Balance at end of period / year	14,685	21,890	49.06%

Source: Audited Financial Statements

7-7-2-5 Advances and prepayments and other assets

There were not advances and prepayments in the first half of the 2013G, while they amounted to SAR 11.7 million in the first half of 2014G.

7-7-2-6 Takaful Reinsurers' share of outstanding claims

This Reinsurers' share of the Takaful outstanding claims represents the due part of Takaful reinsurer regarding the claims of the policyholders whether those under settlement or incurred but not reported. The Takaful reinsurers' share of the outstanding claims amounted SAR 81.3 million at the end of the first of 2014G compared to SAR 70.2 million in the first half of 2013G, i.e, it rose at a growth rate of 15.8% and the reason behind this growth was the growth of the total outstanding claims a growth rate of 57.3%.

7-7-2-7 Reinsurers 'share of unearned Takaful contributions

This represents the Re Takaful reinsurers' share of Takaful contributions received in advance and that relate to the risks in force beyond the end of the financial period. The Re Takaful reinsurers' share of unearned contributions decreased at a rate of 28.6% during the first half of 2014G compared to the first half in 2013G, whereas it reduced from SAR 96.8 million at the end of the first half of 2013 to SAR 96.8 million in the first half of 2014G and the main reason for this decline is the high rate of retention risks of Al Rajhi Takaful Company.

7-7-2-8 Underwriting costs of deferred insurance policies

Subscription costs of deferred insurance policies represent costs incurred by the Company for Takaful unearned contributions which relate to risks in force beyond the end of the financial period. The Underwriting costs of deferred insurance policies rose from SAR 10 million as at the end of the first half of 2013G to SAR 14.5 million in the first half of 2014G, with a growth rate of 45.6% due to the increase in the total unearned Takaful contributions growth rate of 27.7%.

7-7-3 Shareholders' assets

Total assets of shareholders operations increased from SAR 308.2 million at the end of the first half of 2013G to about

SAR 320.2 million in the second quarter of 2014G, with a growth rate of 3.9%, despite a decline in bank balances and cash in hand at a rate of 51.2% due to growth of investments held to maturity and investments which fair value is listed through income statement , and Receivable management fees with a growth rate of 43%, 21.4% and 303.5%, respectively. The following table shows the different elements of the assets of the shareholders:

Table 7-59: Shareholders' assets for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Shareholders' assets			
Cash at banks and in hand	116,661	56,889	-51.24%
Due amounts from related parties			
Receivable Administrative fees	9,139	36,877	303.51%
Investments at EVIS	37,820	45,921	21.42%
Investments available for sale	17,158	18,476	7.68%
Investments held to maturity	74,710	106,800	42.95%
Advances, prepayments and other assets	14,638	16,085	9.89%
Statutory deposit	20,000	20,000	0.00%
Properties and equipment, net	18,059	19,187	6.25%
Total assets of shareholders' operations	**308,185**	**320,235**	**3.91%**

Source: Audited Financial Statements

Balances with banks and cash in hand have decreased for shareholders' operations from SAR 116.7 million at the end of the first half of 2013 to about SAR 56.9 million in the first half of 2014G, with a decline rate of 51.2%, as the Company exploited existing cash balances to buy investments held to maturity at fair value through income statement.

7-7 -3-2 Receivable management fees

Receivable management fees increased from SAR 9.1 million at the end of the first half of 2013G to SAR 36.9 million in the first half of 2014G, with a growth rate of 303.5% as a result of the payment of part of the Receivable fees in the first half of 2014 that are less than the management fees expenses charged for the same period.

7-7-3-3 Investments with fair value listed in the income statement

Investments with fair value listed in the income statement consisted of shares portfolio listed on the Saudi exchange «Tadawul.)» Investments with fair value listed in the income statement increased from SAR 37.8 million in the first half of 2013 to SAR 45.9 million for the first half of 2014G, with an average growth of 21.4%.This is mainly due to the high value of listed investments fair value through the income statement at the beginning of the period ended June 30, 2014G more than that of June 30, 2013G with a growth rate of 31.9%. The following table shows the movement of Investments with fair value listed in the income statement during the period:

Table 7-60: Movement of investments at EVIS during the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
At the beginning of period/year	31,918	42,107	31.92%
Bought at the beginning of period/year	14,282	11,410	-20.11%
Sold the beginning of period/year	-12,505	-11,410	- 8.76%
Net change in fair value	4,125	3,814	-7.54%
Balance at the end of period/year	37,820	45,921	%21.42

Source: Audited Financial Statements

7-7-3-4 Investment available for sale

Investments available for sale consist of shareholders' operations from investment in commodities trading and investment of shares in unlisted companies. The investments available for sale of SAR 17.2 million raised at the end of the first half of 2013 to SAR 18.5 million at the end of The first half of 2014, with a growth rate of 7.68%. The main reason behind this growth is the rise in the balance at the beginning of the period ending in June 30, 2014G more than of the beginning of the period ended in June 30, 2013G, with a growth rate of 575.1% from SAR 2.6 million in June 30, 2013 to SAR 17.4 million in the June 30, 2014G .This increase was due to the increase of the value of purchases of investments available for sale all sold during the period, and the table below shows investments available for sale movement during the period:

Table 7-61: Shareholders' Investment available for sale for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	CAGR %
Balance at the beginning of period/year	2,572	17,364	575.12%
Bought at the beginning of period/year	223,000	212,000	-4.93%
Sold at the beginning of period/year	-208,458	-210,888	1.17%
Net change in fair value of period/year	44		-100.00%
Balance at the end of period/year	**17,158**	**18,476**	**7.68%**

Source: Audited Financial Statements

7-7-3-5 Investments held to maturity

This consists of a Murabaha deposits for which their due dates exceeds three months. Investments held to maturity increased at a rate of 43% from SAR 74.7 million in the first half of 2013G to approximately SAR 106.8 million at the end of the first half of 2014 despite a decline in the balance of the beginning of the period at a rate of 31.9% due to the purchase of investments held to maturity, and that none of the investments held to maturity were due until the due date during the first half of 2014G.

The table below shows movement of investments held to maturity during the period:

Table 7-62: Movement of investments held to maturity for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
At the beginning of period/year	112,710	76,800	-31.86%
Bought at the beginning of period/year	12,000	30,000	150.00%
Due at the beginning of period/year	-50,000	0	-100.00%
Balance at the end of period/year	**74,710**	**106,800**	**42.95%**

Source: Audited Financial Statements

7-7-3-6 Advances, prepayments and other assets

Advances, prepayments and other assets consist of advance payments paid to suppliers and prepayments of rent and other earnings due on Murabaha deposits and insurance. This item has increased from SAR 14.6 million in the first half of 2013G to SAR 16.1 million in the first half of 2014G, with a growth rate of 9.9% as a result of the Company's business growth.

7-7 -3-7 Statuary deposit

The Company has deposited SAR 20 million, which represent 10% of the paid-up capital in a local bank specified by the Saudi Arabian Monetary Agency in accordance with the requirements of the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia issued by the Saudi Arabian Monetary Agency. This deposit cannot be withdrawn without approval of the Saudi Arabian Monetary Agency. This has been deposited at Al Inma Bank, given that this deposit investment earnings are due to SAMA.

7-7 -3-8 Net prosperities and equipment

This item is represented by in office and electrical equipment, furniture and fixtures, automotive and computer software in addition to computers. Net book value of the net property and equipment has reached about 18.1 and SAR 19.2 million as in the first half of 2013G and 2014G respectively, with increased growth rate of 6.3% as a result of the purchase of new assets to meet the increase in the Company's business.

7-7-4 Liabilities of Takaful operations

Total liabilities of Takaful operations rose from about 641 million riyals in the first half of 2013G to about SAR 815.2 million by the end of the first half of 2014G, with an increase of 27.2%, and that increase was due to the growth of the total Takaful unearned contributions and growth of total outstanding claims. The table below shows the various items that form up the liabilities of Takaful operations:

Table 7-63: Liabilities of Takaful operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Liabilities of Takaful operations			
Total outstanding liabilities	159,716	251,256	57.31%
Management Receivable fees	9,139	36,877	303.51%
Payables, accruals and other liabilities	29,095	18,524	-36.33%
Re-Takaful Receivables	76,799	36,111	-52.98%

Total Takaful unearned contributions	362,366	462,553	27.65%
Commissions of unearned re-Takaful	3,876	462,553	153.59%
Total liabilities of Takaful operations	**640,991**	**815,150**	**27.17%**

Source: Audited Financial Statements

The following is a brief description for liabilities of Takaful operations

7-7-4-1 Outstanding claims

Total claims recorded before deducting the share of Re-Takaful. These claims are payable to policyholders after completion of its study and examination of supporting documents for authenticity and validity of the settlement. Total outstanding claims include total estimated cost of claims incurred but not paid on quarterly statements, whether reported or not.

Outstanding claims were about SAR 251.3 million in the first half of 2014G, while they were SAR 159.7 million in 2013G, with a growth rate of 57.3% and the main reason for the growth is the growth of Takaful contributions charged to the period.

7-7-4-2 Payable Management fees

Management Receivable fees have risen from SAR 9.1 million from the first half of 2013G to SAR 36.9 million at the first half of 2014G, with a growth rate of 303.5% , and this was due to management fees charged to the period.

7-7 -4-3 Creditors, amounts payable and other liabilities

This item decreased from SAR 29.1 million in the first half of 2013 to SAR 18.5 million for the first half of 2014G, with a decline rate of 36.3%. This reduction was due to the settlement of Motors wreck rebates on the first half of 2014G against another account by mistake which demonstrated an unrealistic decrease of the total creditors item. This account was settled in the third quarter of 2014G.

7-7-4-4 Re-Takaful payable balances

The Re-Takaful creditor balances payable in the amounts of contributions for Re-Takaful companies, according to the agreements concluded with them, have decreased to about 76.8 million riyals in the first half of 2013G to about SAR 36.1 million at the end of the first half of 2014G, with a decline rate of 53% due to decrease in reinsurance and increased retention rate of insured risks.

7-7-4-5 Total unearned Takaful contributions

This represents the total Takaful unearned contributions received in advance for the risks in force beyond the end of the financial period. Total unearned Takaful contributions grew from SAR 362.4 million in the first half of 2013G to SAR 462.6 million in the first half of 2014G, with a growth rate of 27.7% due to the increase in Takaful contributions written which relate to the risks in force beyond the financial period.

7-7-4-6 Re-Takaful unearned Commissions

This item represents the commission received in advance for re-Takaful operations, which relate to risks in force beyond the end of the financial period. Re-Takaful unearned Commissions rose from SAR 3.9 million in the first half of 2013 to SAR 9.8 million in the first half of 2014G, with a growth rate of 153.6%, due to the growth of total unearned contributions.

7-7-5 Surplus of Takaful operations – reserve of fair value of investments available for sale

Reserve of fair value of investments available for sale is calculated by deducting the shortage or adding the increase of the fair value of investments available for sale to in the reserve balance at the beginning of the period. The fair value of investments available for sale reserves reduced during the period from 52 SAR in the first half of 2013G to 42 thousand

the first half of 2014G, i.e. a decline of 18.2% due to the existence of unrealized losses for the period ended on 30 June 2014G amounting to 9 thousand SAR.

7-7 -6 Total liabilities and surplus Takaful operations

Total liabilities and surplus Takaful operations rose during the period from SAR 641.0 million in the first half of 2013G to SAR 815.2 million to the first half of 2014G, with an average growth rate of 27.2% due to the increase in the Company's business and the increase in the total liabilities of Takaful .

7-7-7 Total liabilities of shareholders' operations

Total liabilities of shareholders operations rose from SAR 217.7 million in the first half of 2013 to about SAR 218.2 million in the first half of 2014G, with a growth rate of 0.22%, supported by the increase in provision for Zakat account and the growth of the end of service benefits account at a compound growth rate of 63.7% and 45.7%, respectively. The table below shows the various items that form the liabilities of shareholders:

Table 7-64: Total liabilities of shareholder's operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Zakat provision	1,919	3,142	63.73%
Accounts payable and amounts payable, and other liabilities	7,338	5,441	-25.85%
Amounts due to Takaful operations	204,377	203,658	-0.35%
End of service benefits for employees	4,105	5,982	%45.72%
Total liabilities of shareholder's operations	**217,739**	**218,223**	**0.22%**

Source: Audited Financial Statements

7-7-7 -1 Provision for Zakat

Company's provision for Zakat is calculated in according to the Law of Zakat applicable in Saudi Arabia. Zakat amounted to approximately SAR 3.1 million for the first half of 2014G, compared to SAR 1.9 million to the first half of 2013G due to the provision for Zakat expense registered during the period between the two periods ended on 30 June 2013G and June 30, 2014G and because of the expense recorded for the period ended on 30 June 2014G .

7-7-7-2 Creditors, amounts payable, and other liabilities

This item consists of Shareholders' operations and other payables expenses. This item has declined from about SAR 7.3 million in the first half of 2013G to SAR 5.4 million in the first half of 2014G with a decline rate of 25.9%.

7-7-7-3 Amounts due to Takaful Operations

Amounts due to Takaful Operations have declined during the period, reaching to SAR 207.4 million in the first half of 2013G and SAR 203.7 million in the first half of 2014G, with a decline rate of 0.35% only.

7-7-7-4 Employee End of service benefits

This item represents the total end of service benefits payable to employees, which increased from about SAR 4.1 million in the first half of 2013G to SAR 6 million, in the first half of 2014G, with a growth rate of about 45.7% due to accumulation.

7-7 -8 Shareholders' Equity

Total shareholders' equity rose from about SAR 90.4 million in the first half of 2013G to about SAR 102.0 million in the

first half of 2014G, with an increase of 12.8% due to the decline in the accumulated losses from SAR 109.6 million in the first half of 2013G to SAR 98.0 million in the first half of 2014, and the following table shows this item:

Table 7-65: Shareholder's equity for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Capital	200,000	200,000	0.00%
Accumulated losses	-109,598	-98,037	-10.55%
Reserve of the fair value of investments available for sale	44	49	11.36%
Total shareholders' equity	90,446	102,012	12.79%

Source: Audited Financial Statements

7-7-8-1 Capital

The capital of the Company's is SAR 200 million divided into 20 million Ordinary Shares with a nominal value of SAR10 per share. The Founding Shareholders are subscribed to 14,000,000 shares, representing 70% of the Company's shares, while the public subscribed in the remaining shares amounting to 6,000,000 shares.

7-7-8-2 Accumulated losses

The Company's accumulated losses amounted to about SAR 109.6 million in the first half of 2013G and then fell to nearly SAR 98.0 million in the first half of 2014G, with a decline rate of 10.6% due to realizing a net income during the period ended on 30 June 2014 amounting to SAR 11.5 million.

7-7-8-3 Reserve of fair value of investments available for sale

Reserve of fair value of investments available for sale has risen from 44 thousand SAR on 30 June, 2013G to 49 thousand SAR on 30 June 2014G, at an annual growth rate of 11.4%.

7-7-9 Total liabilities, surplus Takaful operations, liabilities and shareholders' equity operations

Total liabilities, surplus Takaful operations, liabilities and shareholders' equity operations have increased from SAR 949.2 million in the first half of the year 2013G to about SAR 1,135.4 million in the first half of 2014G, representing an increase of approximately 19.6%, and the main reason for this growth is the increase in the total outstanding claims and total Takaful unearned contributions. The following table shows the details of this account:

Table 7-66: Total liabilities, surplus of Takaful operations, and shareholders' equity for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Total liabilities, surplus of Takaful operations	641,043	815,192	27.17%
Total liabilities of shareholders operations	217,739	218,223	0.22%
Total shareholders' equity	90,446	102,012	12.79%
Total liabilities, surplus of Takaful operations, and shareholders' equity	949,228	1,135,427	19.62%

Source: Audited Financial Statements

7-8 Results of operations for the first half of 2014

The following table shows the list of participants Takaful operations and shareholders' operations for Al Rajhi Takaful Company for the first half ended on 30 June 2014G

Table 7-67: Results of operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
First: Statement of Takaful participants operation and accumulated surplus			
Gross written Takaful contributions	381,165	519,425	36.27%
Re-Takaful ceded contributions	-83,100	-58,676	-29.39%
Loss surplus Insurance premiums	-1,127	-3,424	203.82%
Net Takaful earned contributions	**296,938**	**457,325**	**54.01%**
Net Change in unearned Takaful contributions	-61,253	-139,432	127.63%
Takaful net earned contributions	**235,685**	**317,893**	**34.88%**
Policy fees and other income	555	474	-14.59%
Re-Takaful Commissions	8,356	5,096	-39.1%
Total subscription revenues	**244,596**	**323,463**	**32.24%**
Total paid claims	-230,477	-256,727	11.39%
Re-Takaful share in paid claims	34,530	37,680	9.12%
Net paid claims	-195,947	-219,047	11.79%
Movement in net outstanding claims, net	-11,108	-30,527	174.82%
Net incurred claims	-207,055	-249,574	20.54%
Supervision and inspection fees	-2,968	-3,760	26.68%
Policies acquisition costs	-11,980	-11,102	-7.33%
Other expenses	-565	-489	-13.45%
Other revenues	1891	605	-68,01%
Total liabilities and other expenses	**-220,677**	**-264,320**	**19.78%**
Net underwriting/acquisition surplus	**23,919**	**59,143**	**147.26%**
Investment revenues	538	955	77.51%
Management fees	-24,457	-60,098	145.73%
Net surplus/deficit transferred to shareholders operations	-	-	
Net surplus / deficit transferred to shareholders' operations	-	-	
net result of the period	-	-	
Other comprehensive income will be restated later to the income statement			
Net unrealized gains on investments available for sale	-52	-9	-82.69%

Total comprehensive income (loss) for the period	**-52**	**-9**	**-82.69%**
Second: Income statement of shareholders operations			
Revenues			
Management fees	24,457	60,098	145.73%
Dividends	1405	1351	-3.84%
Net change in investments available for sale through the income statement	4,125	3,814	-7.54%
Special commission income from investments held to maturity	1344	996	-25.89%
Realized gain on sale of investments available for sale	543	613	12.89%
Total revenues	**31,874**	**66,872**	**109.80%**
General and administrative expenses	**-49,681**	**-50,551**	**1.75%**
Income (loss) before Zakat	-17,807	16,321	-191.65%
Zakat provision	-550	-773	40.55%
Net income (loss) of period	-18,357	15,548	-184.70%
Basic or diluted Profit (loss) of share	-0.92	0.78	-184.78%
Net income (loss) of period	-18,357	15,548	-184.70%
Other comprehensive income will be restated later to the income statement			
Net change in fair value of investments available for sale	44	0	-100.00%
Total comprehensive income (loss) for the period	18,313-	15,548	-184.90%

7-8-1 Takaful participant operations and accumulated surplus

7-8-1-1 Net Takaful written contributions

Re Takaful net contributions is calculated by deducting the assigned re-Takaful contributions and loss surplus premiums from total Takaful contributions. The net re Takaful contributions mounted to SAR 457.3 million in the first half of 2014G compared to SAR 296.9 million in the first half of 2013G, with a growth rate of 54.0% due to the growth of the total size of business through the increase the total written contributions. The following shows the net Takaful written contributions account:

Table 7-68: Net Takaful written contributions for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
First: Statement of Takaful participants operation and accumulated surplus			
Gross written Takaful contributions	381,165	519,425	36.27%
Re-Takaful ceded contributions	-83,100	-58,676	-29.39%
Loss surplus Insurance premiums	-1,127	-3,424	203.82%
Net Takaful earned contributions	296,938	457,325	54.01%

Source: Audited Financial Statements

Net Takaful written contributions consist of four main sources: Motor Takaful, health Takaful general Four main sources: Motor Takaful, health Takaful, general Takaful , Protection and savings Takaful. All of these sources contributed to the increase of this item, but in different proportions. The table below shows the details of the net sources of Takaful written contributions

Table 7-69: Details of Net Takaful written contributions for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Motor Takaful	225,917	317,247	40.43%
Health Takaful	62,659	125,692	100.60%
General Takaful	8,362	13,446	60.80%
Protection and savings Takaful	-	940	-
Total	**296,938**	**457,325**	**54.01%**

Source: Audited Financial Statements

The following table shows the percentage of each type of net Takaful contributions:

Table 7-70: The percentage of each Takaful type from the net Takaful contributions

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Motor Takaful	76.08%	69.37%	-8.82%
health Takaful	21.10%	27.48%	30.25%
general Takaful	2.82%	2.94%	4.41%
Protection and savings Takaful	0.00%	-	-
Total	**100.00%**	**100.00%**	**0.00%**

Source: Audited Financial Statements

Despite the growth of Motor Takaful at a rate of 40.4%, but its rate of net contributions have dropped by 8.8%, due to the growth in a health Takaful and general Takaful at a higher rate, as they reached 100.6% and 60.8%, which led to an increase in the contribution of a health Takaful of net Takaful written contributions from 21.1% in the first half of 2013 to 27.5% in the first half of 2014.

7-8-1-2 Total Takaful subscribing contributions

Net Takaful written contributions consist of four main sources: Motor Takaful, health Takaful general Four main sources: Motor Takaful , health Takaful , general Takaful , Protection and savings Takaful. Total Takaful contributions has grown from about SAR 381.2 million for the first half of 2013 to approximately SAR 519.4 million for the first half of 2014, with a growth rate of 36.3%, as a result of the growth and increase of the Company's business. The table below shows details of Total Takaful written contributions.

Table 7-71: Total Takaful contributions for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Motor Takaful	226,996	319,915	40.93%
health Takaful	115,132	127,900	11.09%
general Takaful	39,037	70,125	79.64%
Protection and savings Takaful	0	1485	
Total	**381,165**	**519,425**	**36.27%**

Source: Audited Financial Statements

The following table shows the percentage of each type of net Takaful contributions:

Table 7-72: The percentage of each Takaful source from written Takaful contributions for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (100%)
Motor Takaful	59.55%	61.59%	%3.42%
health Takaful	30.21%	24.62%	-18.48%
general Takaful	10.24%	13.50%	31.82%
Protection and savings Takaful	0.00%	0.29%	
Total	**100.00%**	**100.00%**	**0.00%**

Source: Audited Financial Statements

From the table above, we note an increase in the percentage of the contribution of the general Takaful of the total Takaful written contributions from 10.2% on 30 June 2013, to13.5% on 30 June 2014G, and this was due to its growth in a higher percentage compared to the health and Motor Takaful .

7-8-1-3 The contributions of assigned re-Takaful .

The share of re-Takaful of Takaful contributions was SAR 58.7 million for the first half of the year of 2014G, as compared to SAR 83.1 million for the first half of the year 2013G. This indicates an annual decrease of 29.4% .despite the increase in the number of Takaful contributions. However, the assigned contributions of re-Takaful have decreased due to the increase in the percentage of retention of health Takaful by the Company.

7-8-1-4 Loss of surplus premiums:

They are the premiums which are paid by the Company to the Reinsurance Company to buy a loss surplus insurance policy from it. This item has increased from SAR 1.1 million for the first half of the year 2013, to SAR 3.4 million for the first half of 2014G, i.e. with a growth rate of 203.8%.

7-8-1-5 Net earned Takaful contributions:

Net earned Takaful contributions account represents the Takaful contributions that relate to the risks in force for the period of. The net earned Takaful contributions have increased from SAR 235, 7 million for the first half of the year of 2013G, to SAR 317.9 million for the first half of the year 2014G, i.e. with an annual growth rate of 34.8 % supported by net earned Takaful written contributions during the period. Net earned Takaful contributions is calculated by subtracting the net change in unearned Takaful contributions from the net Takaful written contributions. The following table shows the Net earned Takaful contributions.

Table 7-73: Net earned Takaful underwriting for the first half of the year of 201G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net written Takaful contributions	296,938	457,325	54.1%
Minus: Change in unearned Takaful contributions, net	-61,253	-139,432	127.63%
Net earned Takaful contributions	**235,685**	**317,893**	**34.88%**

Source: Audited Financial Statements

7-8-1-6 Net change in unearned Takaful contributions

This term represents the increase (decrease) in the earned Takaful contributions. This item is calculated by subtracting the net unearned Takaful contributions for the previous financial period from the Takaful contributions for the current period. This item has increased from SAR 61, 3 million for the first half of the year of 2013G, and has reached SAR 139,4 million for the first half of the year of 2014, with a CAGR increase of 127.,6%, due to a total increase of the Takaful contributions and the thus the increase in Takaful contributions that relate to the risks in force after the financial period (unearned Takaful contributions).

7-8-1-7: Total subscription revenues:

This includes Total subscription revenues on net earned Takaful contributions, policy fees, other commissions and re-Takaful commissions. This item has increased from SAR 244, 6 million for the first half of the year 2013G, to 323, SAR 5 million for the first half of the year of 2014G, which means that it has grown at an annual growth of 32. 2% .The main reason behind this growth was the growth of the net earned Takaful contributions, due to the increase in the Company's business.

The following table shows the details of the total subscription revenues during the two periods ended on 30- June 2013, 2014G, respectively.

Table 7-74: Total subscription revenues for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net earned Takaful contributions	235,685	317,893	34.88%
Policy fees and other revenues	5,55	474	-14,59%
Re-Takaful commissions	8,358	5096	-39.1%
Total subscription revenues	**244,596**	**232,463**	**32,24%**

Source: Audited financial statements

7-8-1-8 Policy fees and other revenues:

Policy fees and other revenues decreased from 555 thousand riyal for the first half of 2013G to 474 thousand Riyal for the first half of 2014G. i.e. with a decrease rate of 14.6% due to the decrease of the number of Motor Insurance policies with fees due which have amounted to 19,585 in June 2014, but in 2013G the number of insurance policies amounted to 23,534. On the contrary, the number of auto insurance policies that don't require fees has increased to 99,147 on 30 June 2014G, while this number was 21,130 policies on 30 June 2013G.

7-8-1-9 Re-Takaful Commissions:

Re-Takaful Commissions have decreased with an annual decrease rate of %39, in which it has decreased from SAR 8.4 million in the first half of the year of 2013, to 5,1 in the first half of the year of 2014G.This decrease relates to the decrease of the share of the Takaful re-insurers from the total Takaful contributions and the increase in company's retention rate of the insured risks.

7-8-1-10 Net of paid claims

The net paid claims has increased from SAR 195, 9 million in the first half of the year of 2013 to SAR 219, 0 million in the first half of the year 2014G., with an annual growth rate of 11.8%, due to the gross growth of the paid claims.

The net paid claims is calculated by deducting the re Takaful re -insurers share from the total paid claims. The following table outlines how to calculate the net paid claims.

Table 7-75: Net paid claims for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Total paid claims	230,477	256,727	11.39%
minus : Takaful re-insurers shares from the paid claims	-34,530	-37,680	9.12%
Net paid claims	**195,947**	**219,047**	**11.79%**

Source: Audited Financial Statements

7-8-1-11 Total paid claims:

Total paid claims reached SAR 256, 7 million for the first half of the year of 2014G, as compared to SAR 230, 5 million for the first half of 2013G, which means that it has increased with an annual growth rate of 11.4%, and this was due to the growth of Takaful contributions during that period.

7-8-1-12 The Takaful re-insurers share from the paid claims:

Despite the growth of the shares of Takaful re-insurers of paid claims from SAR 34.5 million in 2013, to SAR 37.7 million in 2014, with a growth rate of 9.1% supported with a total growth of paid claims, but it grew in a lower rate due to the decrease of the assigned re-Takaful contributions.

7-8-1-13 Net incurred claims:

The net incurred claims are calculated by adding the net movement in the outstanding claimss to the net paid claims. The incurred net claims have increased from SAR 207,1 million in 2013 to SAR 249.6 million in 2014G, with an annual growth rate of 20.5% supported by the growth of the net paid outstanding claims

The table below clarifies the method of calculating net incurred claims.

Table 7-76: Net incurred claims for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net paid claim	195,947	219,047	11.79%
Movement in the outstanding Claims	11,108	30,527	174.82%
Net incurred claims	**207,055**	**249,574**	**20.54%**

Source: Audited Financial Statements

7-8-1-14 Net movement in the outstanding claims:

Net movement in the outstanding claims has increased from SAR 11.1 million in the first half of 2013, to SAR 30.5 million in the first half of 2014G, which represents an annual growth rate of 174,8%.

7-8-1-15:

Total claims and other expenses are incurred net claims, fees of supervision and inspection, costs of subscription of policies and some other expenses.

The total claims and other expenses increased from SAR 220.7 million in the first half of 2013G to SAR 264.3 million in the first half of 2014G, which represents a growth of %19,8.The main reason behind this growth was the growth of the net incurred claims.The table below shows how to calculate the total claims and other expenses.

Table 7-77: Total claims and other expenses of the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net incurred claims	207,055	245,574	20.54%
Supervision and inspection Fees	2,968	3,760	26.68%
Policies acquisition costs	11,980	11,102	-7.33%
Other expenses	565	489	-13.45%
Minus : other revenues	-1,891	-605	-68.01%
Total claims and other expenses	**220,677**	**264,320**	**19.78%**

Source: Audited Financial Statements

7-8-1-16 Supervision and inspections fees:

These fees are represented by the fees paid to the council of health security and to The Saudi Arabian Monetary Agency. These fees have increased from SAR 3 million for the first half of 2013G, to SAR 3.8 million for the first half of 2014G, which indicates a growth average of 26,7%.

7-8-1-17 Costs of Subscription of insurance policies:

These fees have decreased from SAR 12 million in the first half of the year 2013G, to SAR 11, 1 million in the first half of the year 2014G, with an average decrease rate of 7.3%.The reason behind this was the increase in the direct sale sources which did not include subscription fees.

For example: on 30 June 2013G, it represented 62% of the total expenses, while on 30 June 2014G it represented 69%, hence there was a decrease in the sale methods which include subscription fees, which in turns decreased from 38% in the first half of 2013G, to 31% in the first half of 2014G.

7-8-1-18: Other Expenses

Other expenses item has decreased from 565 thousand Riyals for the first half of the year 2013G, to 489 thousand Riyals for the first half of 2014G, with a decline rate 13.5%.

7-8-1-19: Other revenues:

This item has decreased from SAR 1.9 million for the first half 2013G to 605 thousand Riyals for the first half of the year 2014G, with a decrease rate of 68% in 2013G, whereas the Company acquired discounts rendered by the health services providers against claims in the year 2011G which has been registered as other revenues.

7-8-1-20 Net Subscription surplus:

Net subscription surplus from Takaful operations is calculated by deducting the total claims and other expenses from the total subscription revenues. The net subscription surplus has increased from SAR 23.9 million in the first half of the year of 2013G, to SAR 59.1 million in the first half of the year 2014G with a growth rate of 147,3%, due to the growth of the total subscription revenues in a rate higher than the total claims and other expenses.

The table below shows how to calculate the net subscription surplus.

Table 7-78: Net Underwriting surplus of the first half of 201G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Total underwriting revenues	244,596	323,463	32.24%
minus total claims and other expenses	-220,677	-264,320	19.78%
Net subscription surplus	**23,919**	**59,143**	**147.26%**

Source: Audited Financial Statements

7-8-1-21 Investments revenues:

The Investments revenues represent the revenues which are generated by the commodity trading fund. The investments revenues have increased from 538 thousand Riyals in the first half of the year 2013G, to 955 thousand Riyals for the first half of the year 2014G, with a growth rate of 77.5%, due to the growth of investments in commodity trading fund, i.e. the increase of the number of units bought.

7-8-1-22 Management fees:

These fees represent the fees deserved by shareholders' operations in return for the related administration of Takaful and investment operations. It is calculated as a percentage of the net Takaful contributions during that period, after adjustment, to reflect the commissions of re-Takaful, and production costs with a maximum limit that is equivalent to the net subscription surplus and investments revenues. The management fees have increased from SAR 24.5 million in the first half of 2013G, to SAR 60.1 million for the first half of the year of 2014G, which also represents a percentage of 145,7%, due to the growth of net Takaful written contributions .

7-8-1-23 Net period deficit:

Net period deficit is calculated by adding the investments revenues to the net subscription surplus, and then deducting management fees. There was not any net period deficit transferred to the shareholder's operations because the management fees became limited to the maximum limit that is equal to subscription net surplus, and the investments revenues.

The following table shows how to calculate the net period deficit.

Table 7-79: Net result of the period of the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net acquisition surplus	23,919	59,143	147.26%
Investment revenues	538	955	77.51%
management fees	-24,457	-60,098	145.73%
Net period deficit			
Net transferred deficit to the shareholders' operations	-	-	
Net period result	-	-	

Source: Audited Financial Statements

7-8-1-24 Total (loss) of comprehensive income for the period:

The total comprehensive income for the period has reached SAR 9 million in the first half of the year 2014G, compared to SAR 52 million in the first half of the year 2013G. This item is calculated by adding the net period result to the net unrealized dividends (loss) for the investments available for sale. The following table shows how to calculate Total (loss) of comprehensive income for the period.

Table 7-80: Total (loss) income of the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net period result	0	0	0
Net unrealized earnings for investments available for sale	-52	-9	-82.69%
Total (loss) income for the period	**-52**	**-9**	**82.69%**

Source: Audited Financial Statements

7-8-1-25 Net unachieved dividends for investments available for sale:

The net unachieved dividends for investments available for sale has reached SAR 9 million in the first half of 2014 compared to SAR 52 million for the first half of the year 2013G, due to the decline of the market value of these investments, which led to the generation of unachieved loss, and accordingly, this led to unachieved loss in 2014G to be less than the first half of the year 2013G.

7-8-2 Shareholders' operations:

7-8-2-1: Revenues

Shareholders operations incomes are represented by acquired income from solidarity operations. It is also called management fees, dividends distributions, or the net change in the investments available for sale through income Statement, and private commission revenues, from the investments held to maturity, and profits achieved from selling investments available for sale.

The gross Shareholders operations income has increased from approximately SAR 31.9 million in the first half of the year 2013G, to approximately SAR 66.9 million in the first half of the year 2014G. i.e. with an increase rate of 109.8% due to the increase in the management fees .The following table shows the details of the Company's gross income from shareholders' operations

Table 7-81: Shareholders operations revenues for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Management fees	24,457	60,098	145.73%
Dividends distribution	1,405	1,351	-3.84%
Net change in the investments available for sale through income Statement	4,125	3,814	-7.54%
Special commissions from investments held to maturity	1,344	996	-25,89%
Realized earnings from selling investments available for sale	543	613	12.89%
Total revenues	**31,874**	**66,872**	**109.80%**

Source: Audited Financial Statements

7-8-2-2 Management fees:

This item represents the fees received by the Company for the administering Takaful operations and investments related to the Takaful operations .These fees are calculated as a percentage of net Takaful contributions during the period after adjustment to reflect the commissions of the re-Takaful and production cost with maximum net equivalent subscription surplus and investment revenues. Management fees increased from SAR 24.5 million at the first half of 2013G to SAR 60.1 million for the first half of 2014G, with an increase of 145.7% as a result of the increase in net Takaful contributions and the increase in the maximum allowable management fees (net subscription surplus and investment income) which allowed for an increase in management fees expense.

7-8-2-3 Profit distributions:

They are the profit distributions for investments in the shares portfolio of listed in Saudi stock market (Tadawul).The profit distributions have decreased from SAR 1.4 million in the first half of the year 2013G, to SAR 1.35 million in the first half of the year 2014G, with a decrease rate of 3,8%.

7-8-2-4 The net change in the investments available for sale through the income statement:

The Company has achieved a positive net change in the investments available for sale through the income statement with an amount of SAR 3.8 million in the first half of the year 2014G, compared to SAR 4.1 million for the first half of the year 2013G, with a decrease rate of 7.5%,and the reason behind that was due to the fact that the increase of the market value of investments of the first half of 2014G was less than its value in the second half of the year 2013G.

7-8-2-5 The income of special commissions from investments held to maturity:

The income of special commissions from investments held to maturity decreased from SAR 1.3 million in the first half of the year 2013G, to SAR 1 million of the first half of the year 2014G, with a decrease rate of 25.9% , due to the decrease of the percentage of positive change in the market value of bought investments.

7-8-2-6 profits achieved from selling investments available for sale:

These profits have increased from 543 thousand Riyal in the first half of the year 2013G, to 613 thousand Riyal in the first half of the year 2014G, with an increase rate of 12.9% , as a result to the increase of investments available for sale .

7-8-2-7 General and administrative expenses

These expenses have increased from SAR 49.7 million for the first half of the year 2013, to SAR 50.6 million for the first half of the year of 2014G, with an increase rate of 1.75, due to raising wages and privileges due to the growth of company's business.

7-8-2-8 Net loss before Zakat

The income (loss) before Zakat is calculated by deducting general and administrative expenses from the total income. The net loss before Zakat has changed from SAR 17.8 million in the year 2013 to SAR 16.3 million in 2014G due to the gross growth of income with a rate of 110%, which is a rate higher than the administrative and general expenses that amounts to 1.75%.The following table shows the net loss before Zakat .

Table 7-82: Net loss of Shareholders operations before Zakat

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Total revenues	31,874	66,871	109.80%
General and administrative expenses	-49,681	-50,551	1.75%
Income (loss) before Zakat	**17,807**	**16,321**	**-191.65%**

Source: Audited Financial Statements

7-8-2-9 The period net loss:

To calculate the period net loss, the provision for Zakat is deducted from the loss before Zakat. The net loss of the Company has transformed from SAR 18.4 million in the year of 2013G, to SAR 15.5 million in 2014. The table below shows the period net loss.

Table 7-83: Period's net loss for shareholders operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Income (loss) before Zakat	-17,807	16,321	-191,65
Zakat provision	-55	-773	40.55%
Net period income (loss)	**-18,357**	**15,548**	**-184.70%**

Source: Audited Financial Statements

7-8-2-10 Profit (loss) of the baasic share

This is calculated by dividing the net income (loss) of the period over the number of shares held in the end of the period which are SAR 20 million shares. The loss of shares has changed from - 0.93 Riyal per share in the year 2013, to 0.78 Riyal per share for the first half of the year 2014G.

7-8-2-11 The total (loss) income for the period:

The total (loss) income for the year is calculated by adding the net result of the period to the net change in the fair value of investments available for sale. The comprehensive income for the period has reached SAR 15.5 million in the first half of 2014G, while there was a loss that amounted SAR 18.3 million in the first half of the year 2013G, and that was due to the net income on 30th June 2014G, compared to a loss on 30th June 2013G. The following table shows how to calculate the total (loss) income for the period.

Table 7-84: Total (loss) income for the period for shareholders operations for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net income (loss) for the period	-18,357	15,548	-184,70
Net change in the fair value of investments available for sale	44	0	-100%
Total (loss) income for the period	**118,313**	**15,548**	**-184.90%**

Source: Audited Financial Statements

7-8-2-12 The net change in the fair value of the investments available for sale:

This item represents the value of change in the fair value of investments available for sale which consists of the commodity trading fund.

There was no change in the fair value for investments available for sale in the first half of the year 2014, but there were profits in the first half of the year 2013G, which reached 44 thousand Riyals, and the reason behind that was the change in the fair value per unit in the commodity trading fund where it has not changed in the first half of the year 2014G, while it has raised in the first half of the year 2013G.

7-9 Cash flow for the first half of the year 2014:

The following table shows the cash flow Statement of Takaful operations and shareholders' operations for the first half of the year ending on 30 June 2014G.

Table 7-85: Cash flow for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
First: cash flows of the participants in Takaful operations			
Operating activities			
Net result of the period			
Adjustments for:			
Management fees	24,457	60,098	145.73%
Provision for Doubtful debts	366	185	-49.45%
Net surplus before change in operating assets and liabilities	**24,823**	**60,283**	**142.85%**
Change in operating assets and liabilities			
Dues from shareholders' operations	**-1,510**	**-857**	**-43.25%**
Receivable Takaful contributions	-43,654	-72,385	65.82%
Share of Takaful reinsurers from outstanding Claims	-29,345	-17,153	-41.55%
Amount due to related parties	-927	0	
Advances , prepayments and other assets	0	-9,729	-
Takaful reinsurers' share of Takaful unearned contributions	-20,547	20,304	-198.82%
Costs of underwriting deferred policies	919	-5666	-716.54%
Deposits against letters of guarantee	-4,672	4,820	-203.17%
Total outstanding Claims	40,453	47,680	17.87%
Accounts payable , accruals, and other liabilities	-1,502	-14,499	865.31%
Re Takaful payable balances	10,299	-1,855	-118.01%
Total Takaful unearned contributions	81,801	119,432	46.00%
Unearned re-Takaful commissions	-2,092	5565	-366.01%
Paid Management fees	-34,184	-34,894	2.08%
Net cash used in operating activities	**19,862**	**101,046**	**408.74%**
Investment activities			
Purchase of investments available for sale	-132,000	-470,000	256.06%
Sale of investments available for sale	147,463	464,046	214.69%
Net cash (used in)from investing activities	**15,463**	**-5,954**	**-138.50%**
Increase in cash and cash equivalents	**35,325**	**95,092**	**169.19%**
Cash and cash equivalents at the beginning of period	41,885	166,520	297.56%
Cash and cash equivalents at end of period	**77,210**	**261,612**	**238.83%**
Additional non-cash information			
Change in fair value of investments available for sale	52	-9	-117.31%

Operating activities			
Net loss (profit) for the period	**-18,357**	**15,548**	**-184.70%**
Adjustments for:			
Depreciation	2,827	3,209	13.51%
Management fees	-24,457	-60,098	145.73%
Zakat provision	550	773	40.55%
End of service benefits for employees	650	1114	71.38%
Net profits of the investments at EVIS	-4,125	-3,814	-7.54%
Changes in operating assets and liabilities			
Advances , prepayments and other assets	-3229	-3431	6.26%
Accounts payable , accruals, and other liabilities	-2,117	-3,302	55.98%
Amount due to Takaful operations	1510	857	-43.25%
Amount due from related parties	1274		
Received management fees	34,184	34,894	2.08%
Net cash used in operating activities	**-11,290**	**-14,250**	**26.22%**
Investment activities			
Purchase of property and equipment, net	-3,470	-4,879	40.61%
Purchase of investments at EVIS	-14,282	-11,410	-20.11%
Sale of investments at EVIS	12,505	11,410	-8.76%
Purchase of investments available Sale	-223,000	-212,000	-4.93%
Sale of investments available for sale for sale	208,458	210,888	1.17%
Due investments held to maturity	50,000		
Purchase of investments held to maturity	-12000	-30,000	-
Net cash used in investing activities	**18,211**	**-35,991**	**-297.63%**
Decrease in cash and cash equivalents	**6,921**	**-50,241**	**-825.92%**
Cash and cash equivalents at beginning of period	109,740	107,130	-2.38%
Cash and cash equivalents at end of period	**116,661**	**56,889**	**-51.24%**
Additional non-cash information			
Change in fair value of investments available for sale	44	0	-100.00%

Source: Audited Financial Statements

7-9-1 Statement of Cash Flows for participants' Takaful operations

Statement of Cash Flows for participants' Takaful operations comprises operating and investing activities, and as follows:

7-9-1-1 Cash flows from operating activities

Cash flows from operating activities recorded net positive cash amounted to about SAR 19.9 million and SAR 101.0 million for the periods ended on 30 June 2013 and 2014G respectively, with an increase of 408.7%. This was mainly due to the increase of total unearned Takaful contributions by 81.8 and SAR 119.4 million during the periods ended on 30 June 2013 and 2014G respectively. The Changes in operating assets and liabilities, particularly receivable Takaful contributions

and total unearned Takaful contributions are the most important items that form the cash flows from operating activities of Takaful operations.

7-9-1-2 Cash flows from investing activities

Cash flows from investing activities for Takaful operations led to net positive cash amounted to about SAR 6- million for the period ended on 30 June 2014, due to the purchase of investments available for sale in an amount of SAR 470 million, while there was a positive net cash of Investment activities of about SAR 15.5 million for the period ended in June 30, 2013G, due to the revenues of the sale of investments for sale in the amount of SAR 147.5 million.

7-9-1-3 Cash and cash equivalents at end of period

Cash and cash equivalents are calculated at the end of the period by adding the amount of cash at the beginning of the period to net cash flows from operating activities and investment activities. Cash that was at the end of the period stood at SAR 77.2 million on 30 June 2013G increased to about SAR 261.6 million on 30 June 2014, with a growth rate of 238.8% due to the increase of cash at bank at the beginning of the period by 297.56%, as shown in the table below:

Table 7-86: Cash and Cash Equivalents at the end of the period for the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net cash (used in) operating activities	19,862	101,046	408.74%
Net cash (used in) investment activities	15,463	-5,954	-138.50%
Increase in cash and cash equivalents	35,325	95,092	169.19%
Cash and cash equivalents at the beginning of the period	41,885	166,520	279.56
Cash and cash equivalents at the end of the period	**77,210**	**261,612**	**238.83%**

Source: Audited Financial Statements

7-9-2 Statement of cash flows of shareholders

Statement of cash flows for shareholders comprises cash flows from operating and investing activities as follows:

7-9-2-1 Cash flows from operating activities

Net cash from operating activities recorded a negative balance of about SAR 14.3 million for the period ended on 30 June 2014, with an increase of 26.2% compared with the first half of 2013H which amounted SAR 11.3 million. The main reason behind these negative cash flows from operating activities during the first half of 2014G compared to the same period of 2013 was the non-received management fees, which amounted to SAT 36.9 million on 30 June 2014, compared to SAR 9.1 million on 30 June 2013G.

7-9-2-2 Cash flows from investment activities

This item resulted in a negative net cash amounted to about SAR 36 million for the period ended on 30 June 2014G, while it was positive at an amount of SAR 18.2 million for the period ended on 30 June 2013, and this was mainly due to the purchase of investments held to due date amounting SAR 30 million in the first half of 2014 while the value of sales of investments available for sale was higher than its purchases in the first half of 2013G.

7-9-2-3: Cash and cash equivalents at end of period

Cash and cash equivalents amounted to SAR 56.9 million on 30 June 2014, compared with SAR 116.7 million for the first half of 2013G, with a decrease of 51.2%. This was mainly due to the fact that the cash flows from negative investments on 30 June 2014G were negative, while the activities were positive on 30 June 2013G .Cash and cash equivalents balance result in the end of the period by adding net cash flows from each of the operating activities and investment and adding the balance of cash and cash equivalents at the beginning of the period, as table below shows:

Table 7-87: Cash and Cash Equivalents for shareholders at the end of the period of the first half of 2014G

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Net cash (used in) operating activities	-11,290	-14,250	26.22%
Net cash (used in) investment activities	18,211	-35,991	-297.63%
Increase in cash and Cash Equivalents	6,921	-50,241	-825.92%
Cash and cash equivalents at the beginning of the period	109,740	107,130	-2.38%
Cash and cash equivalents at the end of the period	**116,661**	**56,889**	**-51.24%**

Source: Audited Financial Statements

7-10 Major financial ratios and indicators

The Following table summarizes the most important Financial Ratios for the Company's performance for the three years ended on 30 June 2013 and 2014G:

Table 7-88: Key ratios and financial indicators

SAR'000	30 June 2013 Unaudited	30 June 2014 Unaudited	Change (%)
Takaful operations			
Retention index	77.90%	88.04%	13.02%
Net contributions earned as a percentage of total acquired Contributions	61.83%	61.20%	-1.02%
Loss index	-87.85%	-78.51%	-10.64%
Company's share of claims as a percentage of total paid claims	85.02%	85.32%	0.36%
Commission income as a percentage of assigned Contributions	-10.06%	-8.68%	-13.63%
Surplus / deficit of subscription as a percentage of total subscribed contributions	6.28%	11.39%	81.45%
Net deficit of the year as a percentage of total subscribed contributions	0.00%	0.00%	0.00%
Receivable Premiums / total subscribed contributions	40.56%	27.55%	-32.07%
Collection period (days)	148.03	100.56	-32.07%
Statement of Shareholders operations			
General and administrative expenses of shareholders as a percentage of subscribed contributions	13.03%	9.73%	-25.33%
Profits and losses of shareholders as a percentage of total subscribed contributions	4.80%	-2.99%	-162.30%

Source: Audited Financial Statements

7-11 Trends of Company's business:

It is not expected that there will be a negative substantial change in the Company's business and its financial condition that may affect the total financial performance of the Company. Also there is no substanial change in operations or financial performance of the Company since the date of the last audited financial statements of the Company until the issuance of this Prospectus.

8 - Dividends Policy

8-1 Dividends

The Company's policy for dividends distribution shall conform with terms stipulated in the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's By-Laws adopted by the Constitutional Assembly. Article (44) of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Zakat and income tax allocations are to be held,
- 20% of the net profits shall be withheld to form a statutory reserve, The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital.
- The Ordinary General Assembly may withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly,
- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits may be distributed in accordance with applicable rules and regulations issued by competent authorities

Any announcement of dividends distribution of dividends will depend on the Company's earnings, its financial condition and development of the market and general economic conditions, as well as other factors, including analysis of investment opportunities and requirements of the re-investment of cash, capital needs, future prospects of the business of the Company and the effect of the distribution of profits on Zakat payment, in addition to other legal and regulatory considerations.

Dividends distribution is subject to certain restrictions mentioned in the Company's By-Laws, (please see section 'Summary of company's By-Laws" Page 141). The profits are distributed to shareholders at the time and place as determined by the Board of Directors in accordance with the directions issued by the Ministry of Commerce and Industry and after the prior written consent of the Saudi Arabian Monetary Agency.

The New Offer Shares are eligible for any dividends to be declared by the Company after completion of the Offering and in the following fiscal years, if any.

Al Rajhi Takaful Company has not distributed any profits since its incorporation in July 2009 till now.

9 - Capitalization and indebtedness

The following table shows the capitalization and indebtedness of the Company:

Table 9-1: Capitalization and Indebtedness

SAR'000	As of 31/12/2013	As of 31/12/2014
Liabilities of Takaful operations		
Total outstanding claims	203,576	251,256
Payable management fees	11,673	36,877
Accounts payable, due amounts, and other liabilities	33,023	18,524
Re Takaful Payable accounts	37,966	36,111
Total unearned Takaful contributions	343,121	462,553
Re-Takaful unearned Commissions	4,264	9,829
Total liabilities of Takaful operations	**633,623**	**815,150**
Surplus of Takaful operations		
Reserve of the fair value of investments available for sale	51	42
Total liabilities and surplus of Takaful operations	633,674	815,192
Shareholders' liabilities		
Provision for Zakat	2,369	3,142
Accounts payable and amounts payable, and other liabilities	8,743	5,441
Amounts due to Takaful operations	202,801	203,658
End of service benefits for employees	4,868	5,982
Total liabilities of shareholders' operations	218,781	218,223
Total Shareholders' Liabilities		
Capital	200,000	200,000
Accumulated losses	(113,585)	(98,037)
reserve of the fair value of investments available for sale	49	49
Total shareholders' equity	**86,464**	**102,012**
Total Liabilities of shareholders' equity and operations	**305,245**	**320,235**
Total liabilities and surplus of Takaful operations and Liabilities of shareholders' equity and operations	**938,919**	**1,135,427**

Source: Audited Financial Statements

The Company confirms that it has no debt instruments issued or listed, approved and has not yet been issued, or any loans secured by a personal guaranteed, or by a mortgage or not guaranteed, by a mortgage, as of the date of this Prospectus.

The Company also confirms that it has no any other loans or debts, including an overdraft from the bank accounts, obligations under acceptance and acceptance of credit or lease obligations that are covered or uncovered by personal guarantee, or covered or uncovered by a mortgage as at the date of this Prospectus.

Members of the Board of Directors confirm also that:

- The Company has no mortgages, rights or as at the date of this Prospectus.
- Does not have any contingent liabilities or guarantees as at the date of this Prospectus.
- The Company's capital has not been modified since its incorporation, as it stands at the level of SAR 200 million riyals (Capital at incorporation).
- The capital of the Company has no Right of option as of the date of this Prospectus.

9-1 Capital structure

The capital of the Company is SAR 200,000,000 divided into 20,000,000 shares with a nominal value of SAR 10 per share, fully paid. The Founding shareholders subscribed for a total of 14,000,000 shares valued at one hundred and forty million Saudi Riyals (SAR 140 million) paid in cash, representing 70% of the entire capital of the Company's shares. The rest of the shares h(60,000,000) sixty million Saudi Riyals were issued for public subscription during the period from 22 / 01 /1430H (18 / 04 / 2009) up to 02 / 05 /1430H (27 / 04 / 2009G).

The Board members declare that none of the Share Capital is covered under option and the Company has not given any privileges or preferential rights for the Founding Shareholders or any other person.

The approval has been obtained recently from the Saudi Arabian Monetary Agency by letter No. 351000131835, dated 24 / 10 / 1435H (20 / 08 / 2014G) to increase the Company's capital at an amount of SAR 200 million through the issuance of rights shares. Upon completion of the subscription for the New Shares, the Company's capital will be SAR 400 million divided into 40 million Ordinary Shares with a nominal value of SAR 10 per share. The Board of Directors has recommended in its meeting held on 27 / 6 / 1435H (04 / 27 / 2014G), to raise capital by SAR 200 million to become 400 million Saudi riyals to meet the requirements of solvency and funding of future plans for the Company, and after obtaining the regulatory approvals. On 19 / 5 /1436H, the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company's capital as mentioned, and subscription for the Rights will be limited to the Eligible Shareholders registered by the end of the day of Extraordinary General Assembly meeting (Eligibility date).

The accumulated losses of the Company's Share Capital amount SAR 94,896 million as of September 30, 2014G, representing 47.45% of the Company's capital. If these losses amount to 50% or more, it means that the Company will be subject to measures of the Capital Market Authority, which will be effective from July 2014G.

These measures apply to three types of listed companies. First, companies of which accumulated losses stand at 50% and less than 75% of their capital: second: companies of which accumulated losses stand at 75% and less than 100% of their capital, and the third category: companies that reported accumulated losses of 100% or more of their capital. The following table shows the procedures required for each of the three categories.

Companies that report accumulated losses of 50% and less than 75% of their capital

Procedures require that the Company shall immediately announce on the Stock Exchange website about such loss and its percentage of the capital and the main reasons that led to these losses with an indication in the announcement that it will apply these procedures and instructions on the Company. "Tadawul" will then mark the Company's name clarifying that the Company is within this category. The Company during this category, is required to publish monthly management financial statements in a period not exceeding ten days following the end of each month. In the case the Company is able to reduce losses below 50% of its capital, it shall instantly announce that on "Tadawul" website, provided that the announcement shall include the actions taken by the Company to be repositioned with attaching a report from the auditor to demonstrate the financial position of the Company after the reposition, and accordingly "Tadawul" will remove the indicator next to the company's name.

Companies that report accumulated losses of 75% and less than 100% of their capital

The procedures state that companies must immediately announce on the Tadawul website when its accumulated losses reach 75% or more and less than 100% of its capital. Similar to the first category, the announcement should include the total accumulated losses, its percentage of the capital and the reasons that led to such losses. The company's announcement must mention that all the procedures will be applicable to the company and that its shares would be suspended from trading for one day only. Tadawul adds an indicator next to the company's name which indicates that it falls under the second category. Following removal of the one day suspension, settlement of trade orders will be prolonged to two business days (ie T+2). The Board of Directors must develop a plan to modify the Company's status and its announcement for public shareholders within 90 calendar days of the issuance of the announcement. The Board of Directors should form a committee of at least three members one of them shall be a member in the Board of Directors to be responsible for the implementation of the required plan and inform the Board of Directors on any related developments. It must announce to the public on a quarterly basis for the implementation details of the plan with the expectations, financial prospects and annual financial statements and comparing them with actual quarterly and annual explanation of the reasons for the deviations, if any. At the end of every month, the Company shall disclose the financial statements prepared by the management of the Company within a period not exceeding 10 days .The financial statements shall clarify operating profits and operating cash flow for the recent year. The Company's share issuance is terminated after 30 days in case the Company did not comply with the requirement of the preparation of the required plan, or in case the passage of two years following the financial year when the cumulative losses exceeded 75% of the Company's capital, or if the Company did not achieve positive operating profits or positive cash flow for the recent year.

Companies that report accumulated losses of 100% or more of their capital

The Company must announce this immediately on Tadawul website, provided that the announcement shall include the main reasons that led to this accumulated losses, and the Company will indicate in the announcement that all procedures and instructions will be applied. The Company's Shares will be suspending from trading, Tadawul will put an indication on the name of the Company that the Company is within this category and the Board of Directors must develop a plan to modify the Company's status and its announcement for public shareholders within 90 calendar days of the issuance of the announcement. The Board of Directors should form a committee of at least three members one of them shall be a member in the Board of Directors to be responsible for the implementation of the required plan and inform the Board of Directors on any related developments. It must announce to the public on a quarterly basis for the implementation details of the plan with the expectations, financial prospects and annual financial statements and comparing them with actual quarterly and annual explanation of the reasons for the deviations, if any. At the end of every month, the Company shall disclose the financial statements prepared by the management of the Company within a period not exceeding 10 days . The financial statements shall clarify operating profits and operating cash flow for the recent year. The Company's share issuance is terminated after 30 days in case the Company did not comply with the requirement of the preparation of the required plan, or in case the passage of two years following the financial year when the cumulative losses exceeded 75% o of the Company's capital , or if the Company did not achieve positive operating profits or positive cash flow for the recent year.

10 - Description of Shares

10-1 Capital and Shares

The authorized capital of the Company is SAR 200,000,000 divided into 20,000,000 shares with a nominal value of 10 Riyals per share, fully paid.

The Founding Shareholders subscribed for a total of 14,000,000 shares valued at one hundred and forty million Saudi Riyals (SAR 140,000,000) paid in cash, representing 70% of the entire capital of the Company's shares. The rest of the shares (SAR 60,000,000) sixty million Saudi Riyals were issued for public subscription in the period from 22 / 04 /1430H (18 / 04 / 2009G) up to 02 / 05 / 1430H (27 / 04 / 2009G) at an Offer Price of SAR 10 per Share.

After completion of subscription for the new shares, which is estimated at SAR 200,000,000, the Company's Share Capital will become SAR 200,000,000 divided into 40,000,000 shares with a nominal value of 10 Riyals per share.

10-2 Capital increase

The Founding Shareholders who subscribe for the Shares of Capital increase shall not have the right to dispose of their shares during the three years ban period. The Ordinary General Assembly has the right to take decision- after obtaining the approval from the concerned authorities – to raise the capital of the Company, provided that the Extraordinary General Assembly to be held properly, then it must represent half of the Company's capital in this Assembly and the decision to increase the capital must be approved by a majority of three-quarters of those present.

10-3 Capital decrease

The Company's capital can be decreased by a decision of the Extraordinary General Assembly based on the acceptable reasons and after obtaining the approval of stakeholders if the capital is in excess of its needs or in the case there were any losses. The decision of capital reduction should be published and creditor shall be allowed 60-day-period- to object to the reduction decision, and if any creditor objected, the Company must provide satisfactory guarantees to creditors who still owe some debts before the capital reduction.

10-4 Re-purchase of Shares

Based on Article 10 of the Companies Regulations, a joint stock company may nor repurchase its own shares unless under the following conditions:

1) If the purpose of the purchase of shares was the consumption of shares under the conditions set out in Article 104 of the Companies Regulations, which states that" the Company's By-Laws may stipulate the consumption of shares if the Company is a gradually depreciated project is gradually consumed or a project that depends on temporary rights.
2) If the purpose of the purchase is capital reduction.
3) If the shares were within the funds purchased by the Company, including its assets and liabilities.

With the exception of the shares offered to ensure the responsibility of the members of the Board of Directors, the Company may not mortgage its shares and the Company's owned Shares shall not have a vote in the deliberations of the General Meetings.

10-5 Transference of shares

All of the Company shares are traded in accordance with the rules, regulations and instructions issued by the Capital Market Authority and the exception to this cash shares the Founding Shareholders subscribed before the publication of the financial statements of full three years, each of which not less than three years cannot be traded. These provisions apply on what the Founding Shareholders subscribe for in case the increase of the capital before the end of restriction period. However, cash shares may be transferred during the restriction period in accordance with terms governing the transfer of shares from one founding shareholder to others in case of death.

10-6 General Assemblies of Shareholders

A meeting of the Ordinary General Assembly shall not be held unless upon the presence of shareholders who representing half the Company's capital at least. In case this quorum cannot be met, the call to a second meeting shall be within the next 30 days, and this meeting shall be legal regardless of the number the shares represented at the meeting. The call for meeting shall be published in the Official Gazette and a daily newspaper distributed in the Company's Head Office 25 days before the meeting. It is sufficient to send an invitation to the registered address of the meeting if all shares are nominal shares. However, a call must contain the agenda of the meeting, and a copy of the call "invitation " and the agenda shall be sent to the General Department of Companies in the Ministry of Commerce and Industry during the duration of period

Decision of the Constitutional Assembly and the Ordinary General assembly shall be issued by the absolute majority of the shares represented in the meeting. However, the decisions on the assessment of the in kind shares or special advantages must obtain the approval of two-thirds of the shareholders who contributed in the majority of the shares subscribed in cash; in such decisions shareholders are not entitled to vote.

Extraordinary General Meeting: EGM must meet to change By-Laws of the Company except what is legally prevented to be changed. EGM has the right to make decisions fall within the jurisdiction of the Ordinary General Assembly at the same procedures and the same quorum mentioned for the OGM. In case it is impossible to meet the required quorum, a call for a second meeting can be issued, but it is not considered as valid unless it is attended by at least one quarter of the Company's Capital.

Voting during the Constitutional Assembly, the Ordinary General Assembly and Extraordinary General Assembly will be on the basis of one vote per every share represented therein. The Extraordinary General Assembly decisions are taken after the approval of majority of two-thirds of present shares present in the meeting, unless the decision relates to an increase or decrease of the capital of the Company, extension of the duration of the Company or termination of the Company prior to its duration completion as provided for in By-Laws of the Company, or merging with other companies or organizations. The decision will not be effective unless was approved by a majority of three-quarters of the present shares.

10-7 Duration of the Company

The Company's period is 99 years from the date of 21/7/1428H (04/08/2007G) in accordance with its commercial registration. It can always be extended through a decision by the Extraordinary General Assembly for 1 year before the expiration date.

10-8 Shareholders' Equity

10-8-1 Voting Rights

The Company issued one class of shares, and there are no preferential rights to the shareholder with regard to voting, and each shareholder has the right to one vote for every one share. Each Shareholder of twenty shares have the right to attend meetings of the assembly and vote, and has the right to appoint another shareholder of non-members of the Board of Directors to attend the General Assembly meetings.

10-8-2 Dividends distribution

The Company's policy for dividends distribution shall conform with terms stipulated in the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's By-Laws adopted by the Constitutional Assembly. Article (44) of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Zakat and income tax allocations are to be held,
- 20% of the net profits shall be withheld to form a statutory reserve, The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital.

- The Ordinary General Assembly may withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly,
- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits may be distributed in accordance with applicable rules and regulations issued by competent authorities

The profits are distributed to shareholders at the time and place as determined by the Board of Directors in accordance with the directions issued by the Ministry of Commerce and Industry and after the prior written consent of the Saudi Arabian Monetary Agency.

10-9 Dissolution of the Company and liquidation

The Board of Directors shall call the EGM in the event that the loss of the Company reaches three-quarters of its capital to decide on the continuation of the Company or dissolution before the end of the period specified in the Company By-Laws, and in both cases, the decision must be published in the Official Gazette.

The Company shall expire upon the expiry of its period prescribed in accordance with the By-Laws, of the Company at the end of the its duration, and in case it is resolved before this term; the Extraordinary General Assembly, according to the proposal of the Board of Directors will decide the method of liquidation and appoint a liquidator or more and sets their privileges and fees. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators. During liquidation, the contributors' rights in the surplus of the insurance operations shall be taken into account.

11- Use of the Proceeds

11-1 Net Proceed

Total Offering Proceeds (earnings) will be SAR 200 million, 5 million of which around SAR 5 million will be paid as offering expenses including fees of the Financial Advisor and Lead Manager, Legal Advisor, Receiving Agents, Underwriter, in addition to marketing, printing and distribution, and other related expenses. Accordingly, the net Offering Proceeds after deducting the mentioned expenses will be about SAR 195 million, which the Company intends to use to meet the solvency requirements and finance future plans to support the activity by opening new branches, buy a head office for the Company.

Capital increase of Al Rajhi Takaful company will be SAR 200 million, to ensure the capital requirements, solvency margin and reserves under the appropriate provisions for the Cooperative Insurance Companies Control Law and the uses mentioned above.

11-2 Use of net proceeds

Insurance companies in Saudi Arabia conduct their activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations issued by the Saudi Arabian Monetary Agency. Here are some articles that are related to capital requirements under which Takaful companies in the Kingdom operate:

- **Article 3 of the Cooperative Insurance Companies Control Law:**

This article provides that "The capital of the insurance company shall not be less than SR 100,000,000 and the paid-up capital of a re-insurance company or an insurance company engaged at the same time in re-insurance activities shall not be less than SAR 200,000,000. The capital may not be altered without the Agency's approval in accordance with the Companies Law".

Article 76 and Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law

These articles stipulate that "the insurance company shall maintains its capital level and not to be reduced less than (50%), and shall maintain adequate solvency margin, respectively.

Article 48 of the Implementing Regulations of the Cooperative Insurance Companies Control Law

This article stipulates that "The Company's gross written premium shall not exceed Ten (10) times the paid capital and reserves without the SAMA's written approval.

Article 66 and Article 67 of the Implementing Regulations of the Cooperative Insurance Companies Control Law

These articles stipulate that insurance companies shall maintain the required a minimum level of solvency margin and statutory deposit of operating management operations, and to meet the requirements of future expansion plans.

Article 58 of the Implementing Regulations of the Cooperative Insurance Companies Control Law

This article stipulates that the insurance companies shall place a statutory deposit with SAMA amounting to 10% of the paid-up capital. The insurance company shall maintain a minimum level of admissible net assets negotiable in the solvency margin account and this is translated into the need to maintaining the minimum of the total cover (100%) of the financial solvency margin. The following table shows details of the financial solvency margin cover of the Company as at the date of June 30, 2014G.

Table 111-: financial solvency margin cover

Item	SAR'000
Minimum capital requirement	100
Solvency margin cover of written Premiums	145,5
Solvency margin of claims	97,3
Margin of minimum financial solvency	145,5
Net Admissible assets in the solvency margin account	74,2
Cover of financial solvency margin	**51%**

Source: Audited Financial Statements

Al Rajhi Takaful Company intends to use the net offering proceeds in line with the provisions of items mentioned above. The Company plans to use the Offering Proceeds as follows:

- 5 million Riyals from Offering Proceeds will be used to pay offering expenses.
- 25 million Riyals from Offering Proceeds will be used to support future activity, increase the invested funds invested and improve profitability.
- 30 million Riyals and 40 million Riyals from Offering Proceeds will be used in the years 2015 and 2016G to acquire a land and build a Head Office for the Company.
- The remaining proceeds amounting to SAR 100 million will be paid to meet required solvency margin and statutory reserve pursuant to Articles 48 and 58 and Articles 66 to 69 of the Implementing Regulations of Cooperative Insurance Companies Control Law.

Table 11-2: Use of Offering Proceeds

Summary of required sums	2015				2016				Total (million riyals)
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Support future activity (open new branches)	6.25	6.25	6.25	6.25					
Purchase a parcel of land and build on it	-	30			10	10	10	70	25
Total		**55**					**40**		95
Solvency and statutory reserve	100	-	-	-	-	-	-	-	100
Expenses of issuance of Rights	5	-	-	-	-	-	-	-	5
Total		**105**				-			105
Gross		160				40			200

Source: Al Rajhi Takaful

11-2-1 Support future activity

The Company intends to support its future growth by increasing the funds invested (25 million Riyals) which contributes to improving the profitability of the Company in the long run. This will be achieved by the opening of new branches for the Company, according to the plan set out in the table above (table 11-1).

11-2-2 Building a head office for the Company

The Company plans to use an amount of SAR 70 million to build its Head Office, where it plans to buy the land in 2015G, at a price of SAR 10 million and construct the headquarter of the Company at an amount of SAR 60 million to be spent during the years 2015 and 2016G as follows: SAR 20 million in 2015G, and SAR 40 million in 2016G. This includes construction expenses of all necessary equipment such as computers, etc, in addition to the costs of furnishing the building.

The following table shows the details of the spent amount on quarterly basis during 2015 and 2016G.

Table 11-3: Of the Details of building of the Company's headquarter

Summary of required sums	2015				2016				Total (million riyals)
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Land	-	10	-	-	-	-		-	10
Construction and building	-	-	20	-	10	10	-	-	45
Furniture	-	-	-	-	-	-	5	6	11
Equipment	-	-	-	-	-	-	5	4	4
Total		30	-	-		40	-		70

Source: Al Rajhi Takaful

11-2-3 Maintaining the required solvency margin and statutory reserve

The solvency margin does not reflect only the financial health of insurance companies, but is a regular requirement in accordance with Articles 66 and 67 of the Implementing Regulations of Cooperative Insurance Companies Control Law. These articles clearly stipulate that insurance companies shall keep a minimum of solvency margin, and also maintain a statutory reserve with the Saudi Arabian Monetary Agency equivalent to 10% of the paid-up capital in accordance with Article 58 in order to manage operations and meet the requirements for future expansion plans.

The requirements of the mentioned articles means that the Company will need a sum of about SAR 99.5 million riyals in order to enable the Company to achieve its objectives for the period.

The proposed uses of the Offering Proceeds (SAR 200 million) include the coverage of net negotiable assets in the financial solvency account, and to provide the coverage needed for the financial solvency margin. The following table shows the contribution of the net Offering Proceeds in financial solvency.

Table 11-4: The contribution of the net Offering Proceeds in financial cover

As of 31 December	2014	2015	2016	2017	2018
Minimum capital requirements	100	100	100	100	100
Premiums solvency margin	145	171,4	203.9	241	285.3
Claims solvency margin	109.4	128.8	144.7	156.9	176.2
Margin of minimum financial solvency	145	171.4	203.9	241	285.3
After offering					
Net Offering Proceeds	195				
Net Admissible assets in the financial solvency	250.5	231.6	265.9	370.5	445
Coverage of financial solvency margin (%)	172.8%	135.1%	%130.4	153.7%	156%

Source: Al Rajhi Takaful

The Company will submit a quarterly report on the details of its use of offering proceeds of rights shares and will announce developments of the use of proceeds to the public, in line with the requirements of Article (30) paragraph (c) of the Listing Rules. The following table shows the use of the amount allocated to the margins of solvency:

Table 11-5: Of the Use of the amount allocated to the solvency margins

Investments in long-term bonds and shares	45
Investments in other shares investment vehicle	35
Statutory Deposit (10% of the capital increase)	20
Total	**100**

Source: Al Rajhi Takaful

12- Declarations by the Board Members, senior Executives and Secretary of the Board

12-1 Financial Statements

- Members of the Board of Directors declare that the financial information described in this Prospectus has been extracted from the audited financial statements of the Al Rajhi Takaful Company without making any substantial modification on them, and that the financial statements have been prepared in accordance with International Financial Reporting Standards.
- Other than what is stated in page (129) of this Prospectus, there has been no material adverse change in the financial and trading position of the Company during the previous three years directly preceding the date of filing the application of admission and listing, in addition in addition to the period covered by the Auditor's report until the approval of the Prospectus.

12-2 Bankruptcy, direct and indirect interests

- Board members declare that none of them or any of the members of the senior management or any one of the senior executives or Secretary of the Issuer did not declare bankruptcy at any given time and was not subject to bankruptcy proceedings.
- Other than what is stated in pages (38, 138) of this Prospectus, no members of the Board of Directors or any of their relatives have any shares or interest of any kind in the Company

12-3 Discounts, commissions or brokerage fees

- Members of the Board of Directors declare that no discounts or commissions or brokerage fees or any other non-cash compensation have been given by the Company during the previous three years directly preceding the date of filing the application for admission and listing , in relation to the issuance or offering of any securities.

12.4 Fundamental changes and business interruption

- Members of the Board of Directors declare that there has been no interruption in the Company's business that could affect or have a significant impact on the financial situation during the last 12 months.
- Members of the Board of Directors declare that there is no intention to make any fundamental change in the nature of the activity of the Company described in this Prospectus

12-5 Working Capital

- The Company has reviewed the requirements of the expected cash flows of the Company's business and confirms that it will have sufficient working capital for a period of twelve months immediately following the date of publication of the Prospectus.

12-6 Activities outside the Kingdom

- Members of the Board of Directors declare that Rajhi Takaful Company does not have any commercial activity or any assets outside the Kingdom of Saudi Arabia.

12-7 Debt instruments, mortgages

Members of the Board of Directors confirm that:

- The Company has no debt instruments issued or listed, approved and has not yet been issued, or any term loans to guaranteed, or not guaranteed by a personal security, guaranteed, or not guaranteed by a mortgage, as at the date of this Prospectus.
- The Company also confirms that it has no any other loans or debts, including an overdraft from the bank accounts, obligations under acceptance and acceptance of credit or leasing obligations, covered by personal guarantee, or

not covered by a personal guarantee, whether it was covered by a mortgage or not covered by a mortgage, as at the date of this Prospectus.

- There are no mortgages or rights or burdens on the Company's property at the date of this Prospectus.
- There are no contingently liabilities or corporate guarantees as at the date of this Prospectus.

Other declarations

In accordance with the Company's By-Laws other constitutional documents, the Board of Directors declares that:

- There is no authority gives a member of the Board of Directors or CEO the right to vote on any contract proposal in which he has an interest.
- There is no authority gives a member of the Board of Directors or CEO the right to vote on any remuneration given to them.
- There is no power to authorize the Board of Directors or senior executives the right to borrow from the Company.
- Members of the Board of Directors declare the full commitment to the provisions of Article 69 and Article 70 of the Companies Regulations.
- Members of the Board of Directors declare the full commitment to the provisions of Article 18 of the Corporate Governance Regulations

13- Legal Information

13-1 Establishment of the Company

Al Rajhi Company for Cooperative Insurance - Al Rajhi Takaful is a Saudi public joint stock company operates under Commercial Registration No.1010270371 issued by the city of Riyadh on 05 / 07 /1430H), corresponding to 28 / 06 / 2009G (and license insurance business from the Saudi Arabian Monetary Agency No (TMN 22 / 11 / 2009), dated 29 / 11 / 1430H, corresponding to 16 / 11 / 2009G.

13-2 Head Office for the Company

The Company Head Office is located in Riyadh, Saudi Arabia, as follows:

Al-Malaz, Salahuddein Street, Platinum Center - third floor

PO Box 67 791, Riyadh 11517

Kingdom of Saudi Arabia

Tel: +966-11-4752211

Fax: +966-11-4755017

13-3 Board of Directors

The Board of Directors consists of eight members including the Chairman:

Table 13-1: Board of Directors

No.	Name	Position	Representation	Capacity	Nationality	Age	Shares	Direct Ownership	Indirect Ownership
1	Abdullah bin Suleiman Al Rajhi	Chairman of the Board	Al Rajhi Insurance Company Limited-Bahrain	Non-executive / non-independent	Saudi	56	-	0%	13,97%
2	Ahmed bin Suleiman Al Rajhi	Board Member		Non-executive / non-independent	Saudi	47	300,000	1,5%	0%
3	Saud bin Abdullah Al-Rajhi	Board Member		Non-executive / non-independent	Saudi	33	300,000	1,5%	0%
4	D.Waleed bin Abdullah Al Moqbil	Board Member	Al Rajhi Bank	Non-executive / non-independent	Saudi	39	-	0%	0%
5	Moayad bin Issa Al Qurtas	Board Member		Non-executive / non-independent	Saudi	68	1000	0,005%	0,00006%
6	Ahmed Samer bin Hamdi Al Zaeem	Board Member		Non-executive / non-independent	Saudi	50	16,000	0,08%	0,0004%
7	Abdul Aziz bin Saleh Alothaim	Board Member		Non-executive / non-independent	Saudi	55	1,000	0,005%	0%
8	Mohammed bin Omran AL Omran	Board Member		Non-executive / non-independent	Saudi	49	1000	0,005%	0,00008%

Source: Al Rajhi Takaful

13-4 Board Committees

Al Rajhi Takaful Company Board of Directors formed committees comprising members from the board and independent members from outside . Board committees consist of the following:

13-4 - Executive and Investment Committee

The Executive Committee consists of three members; all are members of the Board of Directors. The main tasks of the Executive Committee is to make recommendations to the Board regarding the vital topics such as strategic plans and business plans relating to the conduct of work, business and investment plans. In some cases; the Board authorizes the Executive Committee to carry out its tasks

The Executive Committee consists of members mentioned in the following table:

Table 13-2: Members of the Executive Committee and Investment Committee

Name	Position
Abdullah Suleiman Al Rajhi	Chairman of the Committee
Mohammed Omran Al Omran	Member
Waleed Abdullah Al Meqbel	Member

Source: Al Rajhi Takaful

13-4-2 Audit Committee

The audit committee comprises three members: one of them is a Board member. The main tasks of the Audit Committee are the activation of the recommendations of the Board of Directors with regard to supervising the internal audit department, and the study of accounting policies used and provide opinion and recommendation to the Board of Directors, and to study the financial reports of the Company and assess the adequacy of internal and external audits, as well as the recommendation to the Board of Directors for appoint, conclude and determine legal accountant fees and service, with assurance of their independence, in addition to the adopting the publication of the financial statements before submission to the Board of Directors for review.

The Audit Committee consists of the following members in the table below:

Table 13-3: Audit Committee

Name	Position
Waleed Abdullah Al Meqbel	Head of Committee
Mohammed Omar Mylody Musial	Member of Committee
Fahd bin Abdul Rahman bin Mohammed Al Zumaie	Member of Committee

Source: Al Rajhi Takaful

13-4-3 The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members, all of them are members of the Board of Directors. The main tasks of the Nomination and Remuneration Committee are recommendation to the Board of Directors nomination for membership of the Board in accordance with approved policies and standards, and the annual review required for the needs of the appropriate skills to the membership of the Board of Directors, a review of the structure of the Board of Directors and make recommendations regarding changes that can be made, and to ensure an annual basis of the independence of the independent members and the nonexistence of any conflict of interest if the member serves on the Board of another company, and to develop clear policies for compensation and remuneration of directors and senior executives.

The committee consists of members whose names are described in the following table:

Table 13-4: Nomination and Remuneration Committee member

Name	Position
Abdullah Suleiman Al Rajhi	Head Committee
Moayed Issa Qurtas	Member Committee
Waleed Abdullah Al Moqbel	Member Committee

Source: Al Rajhi Takaful

13-4-4 Shariah Board

The Board oversees the Company's commitment to the provisions of the Shariah in all their dealings, and the supervision and approval of the development of insurance products compliant with Islamic Shariah. Shariah Board is composed of two members of the Kingdom of scholar (Islamic jurist) and there is a vacant place for a third member. The current members are:

Table 13-5: Sharia Board Members

Name	Position
Dr. Saleh Mansour Jarbou'	Head Committee
Dr. Saleh Abdullah Lehaidan	Member Committee
Vacant	Member Committee

Source: Al Rajhi Takaful

13-5 Capital Structure

The capital of the Company's capital of SAR 200,000,000 divided into 20,000,000 shares with a nominal value of 10 SR per share fully paid. The issuance of 14,000,000 shares will be issued in exchange for cash contributions by the Founding Shareholders representing 70% of the Company's capital, while the remaining shares and the number of 6,000,000 shares) 30% of the capital (it has been put up for public subscription at a price of subscription SR 10 per share, as at the date 02 / 11 / 2014G and current shareholders were:

Table 13-6: The Company Al Rajhi Takaful current shareholders

No	Name	Percentage %	# of shares	The nominal Value (SAR)
1	Al Rajhi Investment Banking Company	22.5%	4,500,000	45,000,000
2	Al Rajhi Insurance Company Ltd, Bahrain	26.5%	5,300,000	53,000,000
3	Oman Insurance Company, UAE	6%	1,200,000	12,000,000
4	Ahmad Suleiman bin Abd Alaziz Al Rajhi	1.5%	300,000	3,000,000
5	Sultan Abdallah Al Rajhi	1.5%	300,000	3,000,000
6	Saud Abdallah Suleiman Al Rajhi	1.5%	300,000	3,000,000
7	Saleh bin Mansour Al Jarbou'	1.5%	300,000	3,000,000
8	Abdallah bin Omar bin Qassim Al Esa'i	1%	2,00,000	2,000,000
9	Saleh bin Nasir bin Abd Alaziz Al Saree'	1%	2,00,000	2,000,000
10	Khalid bin Mohammad Al Turki	1%	2,00,000	2,000,000
11	Suleiman bin Mohammad bin Suleiman Al Rumaih	0.5%	100,000	1,000,000
12	Mohammad Abdul- Rahman Al Faraj	0.5%	100,000	1,000,000
13	Subscribers from public	35%	7,000,000	70,000,000
	Total	**100%**	**20,000,000**	**200,00,000**

Source: Al Rajhi Takaful

The Company intends to increase its capital by 200 million Saudi riyals, and at the completion of the subscription of New Shares as described in this Prospectus, the issued Share Capital will be SAR 400 million divided into 40 million shares with a nominal value of SAR 10 per share.

13-6 Summary of the Company By-Laws of

The Company's By-laws include the provisions having the effect set out below, provided that such a Summary shall not be considered as replacement of the full text of the Company By-laws, which is available at the Company's head office.

Company Name

Al Rajhi Company for Cooperative Insurance - Al Rajhi Takaful - a Saudi Joint Stock Company.

Objectives of the Company's

In accordance with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations, as well as the regulations and rules in force in Saudi Arabia, the Company conducts cooperative insurance activities that are not conflicting with the Shariah provisions as well as conducting any activity relating to the business of reinsurance, agencies or representation. and the Company may undertake all activities as may be required to achieve its objectives whether in respect of insurance or the investment of its funds and it may own, move, sell, replace or lend its properties or liquid assets either directly or through companies established or acquired by it or in association with other entities..

The Company may own, merge with, purchase or have an interest in or participate by any means with other corporate entities that are engaged in similar activities of the Company or engaged in financial activities or which may assist in realizing its objects. The Company may exercise such activities stated in this Article within or outside the Kingdom of Saudi Arabia

Company Head Office

The Company Head Office shall be in Riyadh and may, upon resolution by the Extraordinary General Assembly relocate its Head Office to any other city in the Kingdom of Saudi Arabia with the approval of the Saudi Arabian Monetary Agency (SAMA). The Company may establish branches, offices or agencies within or outside the Kingdom of Saudi Arabia after the approval of SAMA.

Duration of the Company

The duration of the Company is 99 (Ninety nine calendar) years commencing from the date of the decision of the Minister of Commerce and Industry declaring its establishment. Such duration may be extended by a resolution of the Extraordinary General Assembly at least one year prior to the end of the said term.

Use of funds

The Company invests the collected funds from the insured and shareholders in accordance with the rules

established by the Board of Directors.

The Company's capital

Capital of the Company is (SR 200,000,000) two hundred million Saudi Riyals only divided into 20.000.000 twenty million shares of equal value each worth (10) ten Saudi Riyals.

Subscription in the capital

Founding Shareholders subscribed a total of (14,000,000) fourteen million shares (SAR 140,000,000) one hundred forty million Saudi Riyals paid in cash representing (70.00%) seventy percent of the entire capital of the Company's shares, while the remaining (6,000,000) shares valued at (SAR 60,000,000) sixty million Riyals representing (30.00%) of the capital) have been placed for public subscription for the period from 22 / 04 /1430H, (corresponding to 18 / 4 / 2009G) to 02 / 05 / 1430H (corresponding to 27 / 04 / 2009G).

Capital decrease

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. upon resolution by the an Extraordinary General Meeting and approval of the competent authorities., Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs,

then, the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, and present an adequate guarantee of payment if the debt is due on a later date.

Shares Trading

The Company's Shares are tradable in accordance with the rules and regulations issued by SAMA. As an exception to this, the cash shares subscribed for by the Founding Shareholders will not be tradable prior to elapse of full two fiscal years from the publication date of the financial statements each of which is at least 12 calendar months form the date of company incorporation. These provisions are applicable to the shares subscribed for by the shareholders in case of capital increase prior to expiry of the restriction period. . However, cash shares may be transferred during the restriction period in compliance with the provisions of the rights selling from one founder to another founder or to any Board member to serve as guarantee to the management or from the heirs of any Founding Shareholders to any third party in case of death.

Guarantee shares

A company board member shall provide minimally (5,000) five thousand guarantee shares in exchange for the contracts that arise between him and the Company and approved by the Ordinary General Meeting. The attachment right shall include whatever portions of the attached shares in the payable dividends.

Sale of Seized Shares:

The Board of Directors shall have the right, when exercising the aforementioned right of attachment, after obtaining the approval of the competent authorities, to sell shares presented as guarantee by members of the Board of Directors against the contracts between such members and the Company provided that the debt is due after having sent two written notices by registered mail requesting the shareholder to settle his debt within two weeks. If the indebted shareholder refuses to pay, the Board of Directors may sell his shares through the Tadawul system. The proceeds of the share sale shall be set off against all debts and liabilities owed to the Company. The balance, if any, shall be reimbursed to the shareholder or his guardian or his executor or his heirs.

Composition of the Board of Directors

The Company shall be managed by a Board of Directors consisting of eight (8) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall not prejudice the legal person's right to replace its representative in the Board. As an exception, the term of the first Board of Directors shall last for 3 years commencing from the date of Ministerial resolution declaring the incorporation of the Company.

Management and technical services agreement

The Company shall conclude, after the approval of the Saudi Arabian Monetary Agency, a technical service management agreement with one or more qualified companies in the field of insurance for a period of five years, renewable for a period or other periods determined by the Board of Directors.

Vacancies in the Board of Directors

Membership of a board member shall expire with the expiry of his appointment term, resignation, death or if the board has evidence that such member has breached his duties in a manner that prejudices the Company interest, provided this is coupled with the General Assembly approval; or expiry of his membership in accordance with any applicable regulation or instructions in force in Saudi Arabia; absence from more than three consecutive meetings without acceptable reason to the Board of Directors; if a judgment issued for declaration of his bankruptcy or insolvency; if he submits petition for settlement with his creditors; ceases to payoff his debts; becomes unconscious; suffers mental sickness; commits an act

of dishonesty and immorality or condemned of fraud. If a Board member position has become vacant, then the Board shall appoint another member to occupy the vacant position provided that such appointment is presented to the first meeting of the Ordinary General Assembly. The newly appointed member shall only complete the term of his predecessor. In the event that there is shortage with the number of Board members to validate the Board quorum for its meetings, the Ordinary General Assembly shall be convened as soon as possible to appoint the required number of the members.

Powers of the Board of Directors

Subject to the jurisdictions reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and overseeing its funds within or outside Saudi Arabia and may, within the limits of its jurisdictions, delegate to one or more of its members or other parties the power of performing certain work or works. To the Board of Directors shall, for example, without limitation, represent the Company in its relations with others and non-governmental and private entities and before all courts; Board of Grievances; offices of Labor; high & primary committees for the settlement of labor disputes and the Commercial Securities Committee and all other judicial committees and arbitral tribunals; civil rights; police departments and the Chamber of Commerce and Industry and all companies and institutions, banks and commercial banks; financial institutions and all government financial funds and institutions of their different names and jurisdictions as well as other lenders. The Board has the right for claiming,, defense, pleading, litigation, waiver, conciliation and acceptance of judgment, denial; arbitration and request implementation of the judgment, opposition, receipt revenues from the implementation, release of debtors from their obligations, engage in bidding, buying, selling and mortgaging real estates. The Board shall have the right to contract and sign in the name of the Company and on behalf of of it on all the types of contracts and documents, including without limitation, the establishment of companies in which the Company partner with all amendments and addendums and the amendment decisions and the signing of the covenants and the instruments before the notaries and official authorities. The Board shall also have the right to sign off loan agreement, securities, guarantees & title deeds for property purchase and sale, issue POAs on behalf of the company; purchase, sale, transfer & acceptance; to handover & takeover; lease, rent receive, pay; open accounts & credits; withdraw & deposit into bank accounts; issue guarantees to the banks, funds & government financial institutions; to sign all papers and promissory notes, cheques all commercial papers, documents and all banking transactions.

No power given to any director or CEO to have a vote right on a contract or proposal wherein they have any interest.

No power given to any director or CEO to have the right for voting on remunerations granted to them.

No power allowing the board members or senior executives to have the right for borrowing from the Company.

Remunerations of the Board

The remuneration of the Chairman of the Board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each Director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum. The Chairman and each Director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Executive Committee affiliating of the Board. In addition, the Company shall pay the actual expenses incurred for attending the Board or Executive Committee meetings including travel and accommodation expenses. In any event, the total remuneration of the Chairman and the Directors may not exceed 5% of the net profits. The Company shall ensure that all the written details of the proposed remuneration and reimbursement are provided to the Shareholders prior to the Ordinary General Assembly date where the remunerations & reimbursements will be discussed and voted on. The Company shall also ensure the approval of the conditions of remunerations & reimbursements in a General Assembly where the directors shall not have the right to vote. The remunerations of the Board members may be amended, subject to approval of the Extraordinary General Assembly of the Shareholders.

The Chairman and Managing Director

The Board of Directors shall appoint one of its members as Chairman and one as Managing Director for the Company from the members of the Board. The Chairman and the Managing Director shall have the right to sign on behalf of the Company and to represent the Company before judicial bodies and others. Either the Chairman or the Managing Director shall have the right to delegate their duties to others to perform specific business(s). The Managing Director shall be responsible for the executive management of the Company. The Board shall fix the salaries, allowances and remunerations of both the Chairman and the Managing Director in accordance with Article (17).

Audit Committee

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5), who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, the Ministry of Commerce and Industry and the CMA.

Executive Committee

1- The Board of Directors shall form an Executive Committee consisting of not less than three (3) members and not more than five (5) members. The chairman of the Executive Committee, who chairs its meetings, shall be appointed from its members. Upon the chairman absence, the Committee shall temporarily select a chairman out of the present members. A board member may delegate another member having a voting right to represent him for only three meetings. The Committee duration shall be as the same as the board's with the board to fill the vacant position in the Executive Committee.

2- Subject to any instructions set by the Saudi Arabian Monetary Agency or the Company Board of Directors, the Executive Committee will proceed with all the powers adopted by SAMA or the company Board and shall support the Managing Director or the Director General within the prescribed limits of its powers.

3- The Executive Committee meeting shall be deemed valid only if attended by at least two members in person or by way of proxy, provided that the number of those present themselves is at least two members.. .Decisions by the Executive Committee shall be passed unanimously, and in case of dispute by 3/4 majority vote of the present or represented members. The Committee holds meetings from time to time when deemed necessary by the Chairman, provided that at least 6 (six) meetings are held per annum. A meeting will be held if requested by at least two members and a resolution shall be passed if approved in writing by two Committee members.

Board meetings

The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene such meeting by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board may meet outside the head office of the Company. The Board shall meet at least four times within a fiscal year provided the period between meetings should not exceed four months.

Quorum and representation

No board meeting will be deemed valid unless attended by at least two thirds (2/3) of the members in person or by proxy, provided that the number of members attending in person shall be at least four. Subject to Article (15) hereof, a board member may delegate another member to attend the board meetings and vote thereon.

Board decisions

The Board's resolutions shall be passed unanimously, and in case of dispute by at least 2/3 majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation, unless one member requests to convene a meeting for deliberations thereon. In this case, the resolutions shall be presented to the Board of Directors in the first next meeting. Any board member having personally direct or indirect interest in any matter or proposal

presented to the Board of Directors or the Executive Committee, in any event, shall inform the Board or the Committee on the nature of such interest in proposed matter. Without exclusion as to the validity of the required quorum for the meeting, such member shall abstain from participation in the said deliberations or voting in the Board of Committee in connection with such matter or proposal

Board deliberations

The Board deliberations and resolutions shall be recorded in minutes signed off by the Chairman and Corporate Secretary and kept in a special register signed by both the Chairman and Corporate Secretary.

Insurance contracts

Members of the Board may not conclude insurance contracts with the Company in which they have an interest without the consent of the Saudi Arabian Monetary Agency.

Advisers

The Board of Directors shall appoint a corporate secretary and may appoint one or more advisors in various company affairs and shall determine their remunerations.

Accountability:

The Chairman of the Board, and each Board member are liable, with due regard to the authority limits of each, if they violate these By-Laws.

Shareholders General Assembly

A properlty formed General Assembly represents all shareholders and convended where the company head office is located. Each subscriber, irresepective of the number of his share, shall have the right to attend the constituent assembly whether in person or on behalf of other subscribers. A shareholder having title to at least 20 shares or more shall have the right to attend the General Meeting. A shareholder may delegate another shareholder who is not a director of the Company to attend the General meeting on his behalf by means of proxy.

Constituent Assembly Tasks

The Constituent Assembly is assigned the following tasks:

1- Ascertain that the capital of the Company has been fully subscribed for.

2- Drafting the final texts of the Company regulation. However, the Assembly may not introduce material changes on the regulation without the approval of all the subscribers represented therein;

3- Appointing the first board members of directors of the Company.

4- Appointing the company auditors and determine their fees.

5- Conducting deliberations on the businesses & expenses required for the establishment of the Company.

Extraordinary General Assembly Tasks

The Extraordinary General Assembly is tasked with amending the Company Bylaws with exception to the provisions which amendment is restricted by regulation. It shall issue decisions on matters which are within the jurisdictions of the Ordinary General Assembly with the same conditions and status prescribed for the latter.

Ordinary General Assembly Tasks

Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed.

Ordinary General Assembly Quorum

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least half of the Company Share Capital. In case this quorum is not attained at the first meeting a notice shall be made for a second meeting to be held within thirty (30) days after the preceding meeting. This invitation shall be published in the manner provided for in Article (88) of the Companies Law. The second meeting shall be valid irrespective of the number of shares represented therein.

Extraordinary General Assembly Quorum

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least half of the Company Share Capital. In case this quorum is not attained at the first meeting a notice shall be made for a second meeting with the same situations provided for in the preceding article. The second meeting shall be valid if attended by shareholders representing at least three quarters of the company share capital.

Voting Rights

Votes in the Constituent Assembly, the Ordinary and Extraordinary General Assemblies shall be counted on the basis of one vote per share.

Assembly Resolutions

Resolutions of the Constituent Assembly & Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. However, if the resolutions relate to assessing in kind shares or special benefits, approval of the majority of subscribers with cash shares representing 2/3 of the said shares is required after excluding subscriptions made by in kind shareholders or the beneficiaries from the special benefits, both of whom shall have no opinion on these decisions even if they are cash shareholders. Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is relating to increasing or reducing the capital, extending the company term or dissolving it before expiry of the term specified in its Byalws,,merger with another company or institution, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

General Assembly Actions

The General Assembly is chaired by the Chairman of the Board and in his absence by his deputy. The Assembly shall appoint secretary of the meeting who collects, the votes, edit minutes of the General Assembly meeting that includes the names of shareholders attending the meeting or representatives, number of shares under their possession in person or by proxy, number of votes assigned for the shares, decisions taken, number of votes that agreed or objected to the decisions and comprehensive summary of the discussions deliberated during the meeting. Minutes of meetings shall be recorded regularly at the end of each meeting in a special register to be signed by the General Assembly Chairman, Secretary and vote collector.

The appointment of the Auditor

The General Assembly shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. It shall determine their fees and may reappoint them.

Access to records

The auditor shall have access to the Company books and records at any time at its discretion as well as to other documents. He is also entitled to require any data or clarifications whenever deemed necessary and to check the Company's assets & liabilities.

The auditor's report

The Auditor shall submit an annual report to the annual General Assembly setting forth the Company position with respect to enabling him obtain the data & clarifications that he required and to any violations of the Companies' Law,

Insurance Companies Control Law & its implementing Bylaws or this Regulation which he might have detected. The Auditor shall also state his opinion on the extent that the Company accounts are compatible with the reality.

Fiscal year

The fiscal year of the Company shall start on the 1st of January and end on the 31st of December of each Gregorian year. The first fiscal year, however, shall start on the date of the decision declaring the incorporation of the Company and shall end on the 31st of December of the following Gregorian year.

Annual Accounts

At the end of each fiscal year, the Board of Directors shall prepare the closing entries of the Company's assets and liabilities as of that date. The Board of Directors shall also prepare a balance sheet, a profit and loss statement, and a report on the company's activities and financial position for the concluded financial year. The report should set out the proposed method for distribution of net profits. The report shall be prepared during the forty (40) days following the end of the financial period covered under such financial statements. The Board shall put the said documents at the disposal of the Auditor at least fifty-five (55) days prior to the date set for the General Assembly. The Chairman of the Board must sign the said documents which should be available for the shareholders in the head office of the Company at least twenty five days prior to the date on which the general assembly shall convene. The Chairman shall publish the balance sheet, the profit and loss statement, an adequate summary of the Board report and the full text of the auditors' report in a daily newspaper published in the same city of the Company's head office. A copy of the same shall be delivered to the Department of Companies at the Ministry of Commerce and Industry and the Capital Market Authority at least twenty-five (25) days before the meeting of the Ordinary General Assembly.

Financial Statements

The financial statements shall consist of the balance sheet for insurance operations and shareholders, the statement of surplus (deficit) of insurance operations, the statement of shareholders' income, the statement of shareholders' equity, the statement of insurance operations' cash flows and the statement of shareholders' cash flows.

Accounts of Insurance Operations

The statement of insurance operations shall be independent from the shareholders' income statement as per the following:

First: the Accounts of Insurance Operations

1- An account shall be allocated for earned Premiums, Reinsurance and other commissions.

2- An account shall be allocated for indemnification incurred by the Company.

3- Specify total surplus, at the end of the year, which represents the difference between Premiums and indemnifications minus marketing, administrative and operating expenses, as well as the necessary Technical Reserves pursuant to the instructions regulating the same.

4- The Net surplus shall be determined as follows:

Adding or subtracting the total surplus stated in paragraph (3) above from the total surplus the investment returns to the Insured after calculating the revenues to which they are entitled and subtracting their accrued charges.

5- Distribution of net surplus shall be either by distributing a percentage of 10% directly to the Insured, or by lowering their Premiums for the following year, and a percentage of 90% shall be carried forward to the shareholders' income statement.

Second: Shareholders' Income Statement

1- The shareholders' profits will consist of revenues of investing shareholders' funds in accordance with the rules specified by the Board of Directors.

2- The shareholders' share in the net surplus shall be as indicated in paragraph 5 of this Article.

Dividends distribution

The Shareholders' dividends shall distributed as follows:

1- Zakat allocations and defined income tax to be held.

2- Twenty percent of the net profits shall be allocated to form the statutory reserve. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the capital.

3- The Ordinary General Assembly may, at the recommendation of the Board of Directors, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the general assembly.

4- The remaining balance shall be distributed as a first instalment to the shareholders equivalent to five percent (5%) of the paid-up capital.

5- The remaining balance shall be distributed to the shareholders as a share in the profits or to be transferred to the retained profits account.

6- The Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in paragraph 4 above in accordance with the relevant regulating rules issued by the competent authorities.

Resolutions to Distribute Annual Profits:

The Company shall notify the Capital Market Authority without delay of any resolutions to distribute dividends or to recommend the distribution of dividends. The distributable profits shall be distributed to the shareholders in places and on dates set forth by the Board in accordance with the instructions of the Ministry of Commerce and Industry and considering the prior written consent of SAMA.

Company Losses:

If the losses of the Company reach three quarters of the capital, the Board of Directors must call for an Extraordinary General Assembly to consider whether the Company shall continue to operate or be dissolved before the expiry of its term stated in Article 5 of these By-Laws. In all cases, the resolution shall be published in the Official Gazette.

Dissolution and Winding Up of the Company:

The Company shall be dissolved upon the expiry of its term as stated in these By-Laws or by any of the provisions of the Companies Regulation. If a decision has been taken to dissolve the Company before the expiry of its term, the Extraordinary General Assembly, at the recommendation of the Board of Directors, shall decide the method of liquidation, appoint one or more liquidators and define their remunerations and powers. The powers of the Board of Directors shall end upon the dissolution of the Company. The Board shall continue to manage the Company until the liquidator is appointed. Other officers of the Company shall keep their functions to the extent they do not conflict with the powers of the liquidators.

Upon liquidation, entitlements of subscribers to the insurance operation surplus and to reserves formed as stipulated in articles 52 and 53 of these By-Laws shall be taken into account

Final Provisions

The provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as the Companies Regulations and the Capital Market Law and its Implementing Regulations shall apply to anything not mentioned in the By-Laws.

Publishing

This Law shall be maintained and published in accordance with the Companies Regulations.

13-7 Important licenses and permits

The Company got a number of licenses and permits from the relevant authorities to be able to implement its business in Saudi Arabia. These permits and licenses authorize the Company to conduct and manage business in KSA. The following is a list of licenses and permits obtained by the Company:

Table 13-7: Important Licenses and permits

Licenses	Purpose	Record and Date	Expiration Date	Issuer
Commercial Registration	Establishment and registration of the Company	1010270371 Dated 5 / 7 / 1430H	05 / 07 /1440 H	Ministry of Commerce and Industry
Insurance license	Engage in insurance activities	TMN 22200911/ Dated 29 /11 / 1430H	28 / 11 /1436H	Saudi Arabian Monetary Agency
Certificate of Membership in the Chamber of Commerce and Industry	Membership in the Chamber	101000214025 Dated 22 /1 / 2014G	31 / 12 / 2014G	Riyadh Chamber of Commerce & Industry
Foreign investment license	Engage in insurance activities	102030104316 Dated 10 /1 0 / 1430H	12 / 08 / 1436H	General Investment Authority

Source: Al Rajhi Takaful

13-8 Summary of Key contracts

The Company provides a number of insurance products to its customers in the branches of general insurance, health insurance, protection and savings insurance and various products such as health Takaful insurance product, Motor insurance, fire, marine transportation risks, and contractors risk based on the approvals of the Saudi Arabian Monetary Agency.

Among the most prominent insurance contracts in terms of value are the policies provided to Al Rajhi Bank, a strategic partner of the Company and a related party, as the returns from these policies exceed 5% of the Company's total revenue. The first policy covers commercial vehicle, while the other covers private vehicles. Under these policies The bank gets on insurance coverage for cars that are rented to the bank customers. Under these policies, the Company manages the operations of Takaful insurance as an agent and on behalf of its clients in return of certain amounts charged.

The two policy covers the following risks:

1- Damages to cars and spare parts.

2- Amounts paid to third parties due to an accident resulting in death or injury or damage to any property.

These two policies do not cover the following risks against third parties:

1- Death or injury to the client or his driver or a member of its family.

2- Death of or injury to any individual who works with the client in the event of the death or injury as a result of work.

3- Other cases stipulated in the policy.

Under the two insurance policies referred to above, the cars insured will be 100% insured with a maximum value of SAR 250,000. Cars of value between 250,000 and 500,000 will be subject to the conditions specified by the Company. The maximum responsibility to any third party for any damages to any property, death or any bodily harm as provided in these policies is SR 5,000,000 per accident per year. Premiums of Motor Insurance are as follows:

- Vehicles with value less than SR 250,000: 2.79%
- Vehicles with value more than SAR 250,000: 4%
- Commercial and used vehicles: 3.75%

- Taxis: 6.75%
- high-price vehicles: 4%

The geographical area covered by the insurance policies that are within the borders of Saudi Arabia and may be amended by geographic area to include the rest of the Gulf Cooperation Council (GCC), as well as Egypt, Jordan, Lebanon and Syria.

These policies shall be in force with effect from 01 /01 /2011 till 31 / 12 / 2013 and renewed automatically until it is canceled under the terms of the provisions of the policy.

Al Rajhi Bank is entitled to cancel these policies upon indicating the reasons, and the Company's customer compensation will be according to the terms and conditions of the policy. In addition, the Company is entitled to cancel the policy after thirty days' notice.

The Company signed reinsurance agreements with several companies so as to minimize the risks arising from the insurance coverage provided to its customers. Agreements were signed according to the customary rules and regulations in this business. The following are the companies entered into agreements with the Company in significant reinsurance contracts:

1- Shadeed Re with a contract of 12 months starting from 01 / 07 /2013 and ending on 31 / 12 / 2014G.

2- ICR re-Takaful Company, an open contract starting from 01 / 07 / 2014G.

3- Swiss Re Company whose contract extends for a period of 12 months starting from 01 / 01 / 2014 ends on 31 / 12 / 2014.

With regard to the contract with Shadeed Re Company referred to in (1) above, it covers a third party Motor and liability, as well as workers' compensation, insurance and employers liability, and medical malpractice. The contract period is twelve months from 01 / 07 / 2013 up to 31 / 12 / 2014G. The policy covers the reinsurance damage within the borders of Saudi Arabia as well as other GCC countries, Jordan, Syria, Egypt and Lebanon. Under this Agreement there are maximum limits for premiums paid amounting SAR 1,472,674.50 by the Company in return for compensation up to SAR 12,000,000, in addition to the premiums up to SAR 767,745.00 in exchange for compensation up to SAR 36,000,000.

As for the marine insurance cover with Shadeed Re, provided international coverage during the period 10/07/2013G up to 31 / 12 / 2014G. Under this agreement there are maximum limits to insurance premiums, namely:

- SR 51,170 against compensation up to a maximum SR 1,000,000
- SR 32,130 against compensation up to a maximum SR 1,600,000
- SR 54,500 against compensation up to a maximum of SR 12,800,000

Agreement regarding reinsurance contracts with any ICR re-Takaful Company referred to in (2) above, it provides fire and property insurance as well as engineering and personal accident insurance. The contract begins on 01 / 07 / 2013D till it is terminated pursuant to the terms and provisions of the agreement. This agreement covers damages within the Kingdom of Saudi Arabia and the interests of the Kingdom abroad. There are maximum limits for insurance premiums, namely:

- 9.5% of net premium income in exchange for compensation up to SR 500,000
- 9.25% of the net premium income in exchange for compensation up to SR 1,500,000
- 2.825% of the net premium income in exchange for compensation up to SR 4,500,000
- 3.425% of the net premium income in exchange for compensation up to SR 9,000,000

With regard to reinsurance contract concluded with the Swiss Re Company referred to in (3) above, it covers against accidents and damage to engineering works. The general conditions of the policy stipulate that the Company and Swiss Re may agree on the highest limit of compensation on case by case or agree on the upper limit of compensation during the period of one year. Agreement may terminate the contractual relationship between company and Swiss Re at the end of each insurance period after a three months' notice before the date of termination of the contract. In addition, either

party shall have the right to terminate the contract at any time in several cases provided for in the contract, including in the event of a change in control of the Company, or a change in ownership.

It is worth mentioning that the Implementing Regulations of the Insurance Law provide for the following:

- Insurance companies shall maintain at least 30% of the total amount of subscribed contributions.
- Insurance companies are committed to re-insure at least 30% of the total amount of contributions subscribed within the Kingdom of Saudi Arabia.
- If this is not possible, or the Company wants to maintain a less ratio, it must take the prior written consent of the Saudi Arabian Monetary Agency.

Table 13-8: Real estate lease important contracts

No	Date	Leaser	Term	Amount (in riyals)	Nature of real estate
1	5/3/1428H 24/3/2007	Sheikh Ali bin Abdul Rahman bin Abdullah Al Barghash	Five calendar years	SAR 718,680 per year	Head Office
2	2/4/1435H 2/2/2014	Fahd Saad Mohammad Al Dawood	Five calendar years	SAR 495,000 per year	Khurais branch

13-9 Trademarks and intangible assets

The Company's competitive condition significantly depends on its ability to use its name and logo through marketing its services and selling them. Thus, the Company aims at preserving the image and perception of its trade name which made it distinguished from other competitors .There are several factors on which the Company's situation depends including these of its trademarks. The following table shows the trademark of the Company, where the Company has registered it in the Ministry of Commerce and Industry on 16 / 4 / 2013G.

Table 13-9: Trademarks

Product	Trademark
Logo ofAl Rajhi Company for Cooperative Insurance Al Rajhi Takaful	تكافل الراجحي Al Rajhi Takaful

Except the abovementioned trademark, the Company does not have any rights or intellectual property rights, and the Company does not depend in its activity on any valuable intangible assets such as patents, copyrights or any other rights, with the exception of the brand set out above. The company believes that the identity developed by itself and especially associated with Al Rajhi Bank (a strategic partners) has contributed and is contributing greatly to its business. The Company may use this mark "Al Rajhi Takaful" exclusively pursuant to the commercial registry issued by the Ministry of Commerce and Industry and the license issued by the General Investment Authority.

13-10 Transactions of related parties

In addition to the insurance policies provided to Al Rajhi Bank, as stated in 8-13 above, the Company has signed contracts with Al Rajhi Capital and Al Rajhi Takaful Agency as shown below:

Investment Agreement with Al Rajhi Capital

The Company signed an investment agreement with Al Rajhi Capital Company under which the Company invests in its own name in the investment funds managed by Al Rajhi Capital.

The main Company's obligations under this Agreement are to invest in mutual funds including meeting the needs of investors and carry out all investigation about the customer. In addition, the Company shall communicate and bear all

expenses relating to marketing and offer its products to customers and ensure that the terms and conditions applicable in terms of investing in mutual funds, including the terms and conditions relating to the risks, are reflected in the agreements concluded with customers.

The current investments with Al Rajhi Capital are at an amount of SAR 170,630,000 as at September 30, 2014G. The duration of this agreement is unlimited and is valid from the signing date on 15 / 6 / 2014G and will be terminated under the terms and conditions of the agreement.

Agreement is terminated in any of the following cases:

- Breach by any party without settling such breach during the period of 60 days from the date of the notice.
- Bankruptcy or liquidation of any of the parties.
- The provision of 60 days' notice to end the agreement by either party.

The Agreement is subject to the regulations in force in the Kingdom of Saudi Arabia and any dispute under this Agreement is to be referred to the Committee on Settlement of Securities Disputes.

The Ordinary General Assembly approves and attests the contracts and business that are made with related parties collectively not individually.

Al Rajhi fund for commodity venture

Table 13-10: Al Rajhi fund for commodity venture

Fund	Al Rajhi fund for commodity venture
Fund manager	Al Rajhi Capital
Commence date	9 Rabi Awal 1421H corresponding to 11 June 2000G.
Currency	Saudi Riyal
Risk level	Low
Guidance index	Loans interests rate in Saudi Bank in Riyal-3 months
Purpose of investment	Realize capital appreciation commensurate with the risk of the fund through the investment in goods venture
Those authorized to subscribe in this fund	Individuals and organizations
Minimum subscription	SR 7,500
Minimum limit of extra subscription	SR 3,750
Maximum subscription	10% of fund's assets
Minimum limit of recovery	SR 3,750
Days for applications for subscription and redemption	Investment Centers (Sunday to Thursday)
The last date for receipt of applications for subscription and redemption	Electronic channels (weekdays)
Calendar days	Five o'clock in the afternoon the day before the day calendar From Sunday to Thursday
Announcement days	Next working day of the calendar day
Date for Payment of the redeemed Units	Next working day of the calendar day
Subscription fees	None
Fund management fees	16% of the net profits
Unit price at the beginning of the fund	SR 100

Concluding agency contract with Al Rajhi Takaful

The Company has concluded an agency contract with Al Rajhi Takaful which is a company 99% owned by Al Rajhi Bank and 1% owned by Mr. Suleiman bin Abdul Aziz bin Saleh Al Rajhi. Pursuant to this contract, Al Rajhi Takaful markets and sells insurance products exclusively to Al Rajhi Bank customers. This agreement shall be valid for a period of five years from the date of the agency is licensed by the Saudi Arabian Monetary Agency. Parties agree under this agreement to have an exclusive relationship between the Company and, Al Rajhi agency and the customers of Al Rajhi Bank. In return for the agency's commitment to meet its obligations under this agreement, the agency receives a commission for the distribution of insurance products as may be agreed between the company and Al Rajhi Insurance Agency. This Agreement terminates in several cases, including (a) in case of the will of the parties and (b) in the event of a substantial breach of the terms of the contract by one of the parties and such party fails to handle the breach within a period of thirty days from the date of the notice.

All parties shall be treated on armed length basis, and there is no preferential treatment to any of them. The parties shall be subject to equal treatment as other parties .It is worth mentioning that the Company commits to comply with articles (69|) and (70|) of Companies Regulations, and the Company shall issue an annual report by the auditor in this regard to be submitted to the General Assembly.

13-11 Claims and lawsuits

The members of the Board of Directors and management of the Company, as at the date of this Prospectus, confirm that the Company is not a party to any lawsuit or claim, arbitration or administrative proceedings, collectively and individually, that would significantly affect its business or financial position. In addition, there is no threatened lawsuit to be filed against the Company. But it is worth noting that the Company is a party to eight lawsuits filed before the Saudi competent judicial authorities. Among these cases the Company has filed three suits against third parties as a plaintiff, while others filed different five cases against the Company as a defendant.

The value of the suits filed against the Company was SAR 15,422,480, the following are details of these claims:

Table 13-11: Claims and lawsuits filed against the Company

Plaintiff	Claim (SAR)	Summary of claim
Rusayes Technologies	3,511,250	A claim for compensation against the damage of fire, while Al Rajhi Takaful refused to compensate because the insured party did not take necessary safety measures. Temporary decision was issued in favor of the plaintiff on the basis that the documents submitted were not in Arabic. The case is still being considered by the concerned courts.
Khairat Al Getha' and Ro'yet Al Waseet	7,960,000	The plaintiff filed a lawsuit for compensation against fire. The Company refused to compensate due to unpaid insurance premiums as of the date of the event. The case is still being considered by the court
Ismael Jaman	1,651,230	The insured claimed compensation against embezzlement by two of its employees. The Company refused to compensate due to non-disclosure of key information upon the signature of the contract
Ahmad Khateeb	1.500,000	A former employee at the Company who filed a lawsuit against the Company claiming that he was discharged arbitrarily
Mohammad Hiyari	800,000	Al Rajhi Takaful has previously filed a lawsuit against this person charged with fraud, but the Company lost the lawsuit. Accordingly, the plaintiff has filed a lawsuit against the Company claiming a compensation for vilification.

The value of lawsuits filed by the Company was SAR 4,242,476 as follows:

Table 13-12: Claims and lawsuits filed by the Company

Plaintiff	Claim (SAR)	Summary of claim
Tawuniya Insurance Company	700,520	Al Rajhi Takaful has filed a lawsuit against Tawuniya because it refused to pay its share (retrieval of an amount) which Al Rajhi Takaful has paid to an insured customer
Tawuniya Insurance Company	1,800,000	l Rajhi Takaful has filed a lawsuit against Tawuniya because it refused to pay its share (on recovery basis) which Al Rajhi Takaful has paid to an insured customer.
Wasata Insurance Company	1,741,956	Takaful al Rajhi has compensated one of its clients an amount of SAR 8,900,000 against fire ,and then it filed a lawsuit against Wasata insurance company because it refused to pay its share in such a compensation

13-12 Company's status with the Department of Zakat and Income Tax (DZIT)

The Company has submitted its audited accounts to DZIT for the years 2011,2012 and 2013G.As for 2013G and pursuant to the certificate issued from DZIT No. 8389, dated on 6 / 8 / 1435H, the certificate indicates that it's a restricted certificate, what means that a claim may arise in favor of DZIT, where the deducted tax relating to the insurance premiums was paid to DZIT based on the net amount (calculated as subscribed premiums minus the due claims and commissions), while the DZIT requested the payment of the tax based on the total premiums.

As mentioned in section (2-1-20) "the risk of Zakat current status", failure of the Company's to obtain a final certificate means that it is possible that the Company may undergo some settlements what may result in further amount amounts it has to pay, which will adversely affect its profitability and its financial performance, given the fact that the Company has allocated an amount of SAR 11,3 million to meet any obligations that may result from the withholding tax and delay fines as of 30 June 2014.

14- Underwriting

14-1 Underwriter

Name of underwriter	Al Rajhi Capital
	الراجحي المالية Al Rajhi Capital
Address	Riyadh, King Fahd Road
	PO Box 5561, Riyadh 11432
	Saudi Arabia
	Tel: + 966 -11- 2119292
	Fax: + 966 -11- 2119299
	Website: www.alrajhi-capital.com
Number of rights shares	200,000,000 shares
Share value	10 SR

14-2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Underwriter:

A) The Company undertakes to the Underwriter that, on the allocation date, it will allocate and issue to the Underwriter all shares that have not been subscribed to by the eligible shareholders as additional shares at the Offer Price.

B) The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for, at the Offer Price

The fees of the underwriter will be as a percentage of total offering.

15- Offering Expenses

An amount of SAR 5,000,000 riyals of the Offering Proceeds will be used for offering expenses, which include, legal advisor, Financial Advisor, Lead Manager, professional and financial Due Care advisor, financial auditor and media and public relations advisor fees, in addition to the fees of Underwriting, Receiving Agents, as well as the expenses of marketing, printing and distribution fees and other offering related expenses. These expenses are estimated and will be subjected to final assurance.

Offering Expenses will be deducted from the Company's account after offering

Table 15-1: of Offering expenses details

Item	Amount (SAR)
Financial Advisor, Lead Manager, underwriter and other consultants fees	3,350,000
Marketing , printing and distribution expenses	550,000
Receiving Agents	800,000
Other expenses	300,000
Total	5,000,000

16- Subscription Terms and Conditions

All Eligible Shareholders should read the Terms and Conditions carefully before completing the subscription application form, since the signing of the Subscription Application Form is recognition of acceptance and approval of the mentioned Terms and Conditions .

The signing of the Subscription Application Form and submitting it to the Receiving Agents is considered as a binding agreement between Company and the Eligible Shareholder, whereas the Eligible Shareholders can obtain the Prospectus and subscription application form from the Receiving Agents.

The receiving bodies

البنك السعودي الفرنسي Banque Saudi Fransi

بنك الرياض riyad bank

مصرف الراجحي Al Rajhi Bank

16-1 Subscribing for the Rights

According to this Prospectus, 20,000,000 Ordinary Shares will be offered at an Offer Price of SAR 10 per share including a nominal value of SAR 10 per share. The Total Value of the Offering will be SAR 200 million. The New Shares will be issued at a ratio of 1 new share for every 1 share held. The shareholder registered in the records of the Company shall have the right to purchase such shares at the end of the day of Extraordinary General Assembly meeting held on 19 / 05 / 1436H (corresponding to 10 / 03 / 2015G) as well as the Eligible Shareholders who bought the Rights during the trading period including the registered shareholder who bought new Rights in addition to the Rights that they were previously entitled to.

If Eligible Persons do not exercise their Rights and subscribe for the New Shares by the end of the Second Offering Period, the Rump Shares resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors during the Rump Offering.

The schedule and details of the Offering are as follows:

- Eligibility Date: The end of trading on the day of the EGM on 9 / 05 / 1436 H, corresponding to 10 / 03 / 2015G.
- First Offering Period: Starts on 26 / 05 /1436H (corresponding to 17 / 03 / 2015G) to 06 / 06 /1436H (corresponding to 26 / 03 / 2015G) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. Subscription in New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Agents by submitting a completed Subscription Application Form or through the Form or the available electronic channels. It should be noted that at the end of the Trading Period, if a Registered Shareholder owns a number of Rights lower than the number of Rights that were subscribed for during the same phase, his subscription application will be rejected in whole or in part. A refund of the subscription amount will be issued by the Registered Shareholder's Receiving Agent.
- Trading Period: Starts on **/**/1436H (Corresponding to **/**/2015G) until the end of the day on **/**/1436H (Corresponding to **/**/2015G), in keeping with the First Offering Period. Tadawul is preparing mechanisms to regulate the trading of Rights in its systems and shall assign a new symbol for the Company's Rights Issue (separate from Company's trading symbol on TADAWUL screen). The trading system will cancel the Rights Issue symbol of the Company on TADAWUL screen once the Trading Period expires. This period includes the following options:
- Trading Period: Starts on 26/05/1436H, corresponding to 17 / 03 /2015G until the end of 06 / 06 /1436H corresponding to 26/03/2015G, in keeping with the First Offering Period. This period includes the following:
- Registered Shareholders during this period are entitled to:

1) Retaining the acquired rights as of the Eligibility Date and exercise the subscription for them
2) Sell all their Rights or a part thereof
3) Purchase additional Rights through the Exchange.
4) Refrain from taking any action relation to the Rights Issue and in this case, Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering..

- Those who purchased the Rights during this period may trade the rights by selling or purchasing such rights partially or wholly. In case of purchase and retain the rights until the end of the period, they can exercise subscription at the Second Offering Period only ,and in case they did not exercise such right by the end of the Second Offering Period, the Rump Shares will be issued during the Rump Offering.
- Second Offering Period: From 09 / 06 /1436H (corresponding to 29 / 03 / 2015G) to 11 / 06 /1436H (corresponding to 31 / 03 / 2015G). No trading in the rights during will be during this period. The Second Offering Period include the following:
- Registered Shareholders who hold Shares in the Company as of the Eligibility Date and who did not subscribe for

New Shares in the Company either in whole or in part during the First Offering Period, may exercise their Right during this phase and in the same way as defined for the First Offering Period. If they purchase additional Rights during the Trading Period, they may exercise their Rights and subscribe in the New Shares during the Second Offering Period. If they don't subscribe for these Shares by the end of this phase, then these Shares will be placed on the market for the Rump Offering.

- Those who purchased Rights during the Trading Period and held on to them until the end of such period, may exercise their Rights and subscribe in the New Shares in this phase through the same procedures outlined in the First Offering Period. If they don't subscribe for the New Shares by the end of this phase, then the Rump Shares resulting from not exercising the Rights or selling the same will be placed on the market for the Rump Offering
- Rump Offering: Starts from 16 / 06 /1436H (corresponding to 05 / 04 / 2015G) 10:00AM until 10:00AM of the next day 17 / 06 /1436H (corresponding to 06 / 04 /2015G). During this period, the Rump shares are issued to a number of institutional investors, and those institutional investors shall offer to buy the Rump share. The Rump shares will be allocated to institutional investors with a higher bid, then the least and the least, then, the shares are allocated in proportion to the investment institutions that provide the same offer. Share fractions will be added to the remaining shares and treated similarly.
- Final allocation of shares: Shares will be allocated to each investor based on the number of Rights fully and properly exercised by it. As for the persons entitled to fractional Shares, these fractions will be combined and offered to Institutional Investors during the Rump Offering..All proceeds resulting from the sale of Rump Shares and fractional Shares shall be distributed to the eligible persons according to their entitlements no later than 27 / 06 / 1436H corresponding to 16 / 04 / 2015G.
- Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed.

The Company has submitted an application to the Capital Market Authority for admission and listing of the shares. All the requirements have been fulfilled, and an application will be submitted to CMA for trading in the New Shares after completion of the Offering.

Eligible Shareholders who do not participate in subscribing for theNew Shares

The Company's share price will be modified by Tadawul after the closing of the trading in the Company's Shares at the day of Extraordinary General Assembly meeting on19 / 05 / 1436H corresponding to10 / 03 / 2015AD based on the offering price and the number of the new issued shares in this Prospectus as well as the market value of the shares listed at the closing time.

The Eligible Shareholders who do not participate in the subscription for New Shares; will be subjected to diluting their ownership percentage in the Company in addition to the reduction in the value of the existing shares owned by them. According to the instructions of the Capital Market Authority and its requirements, it is possible for the Eligible Shareholders who do not participate in the subscription fully or partially to get compensation, if any, knowing that they will retain shares owned by them prior to the Offering. In case the highest price was similar to the offering price for the shares, the Eligible Shareholders who did not participate in subscription, will not get any compensation as a result of not participation in the subscription for the New Shares.

In case the institutional investors desire to buy the remaining shares at the Offer Price, or if they do not want to subscribe, this means buying the shares at the Offer Price by the underwriter, and Eligible Persons will not get any compensation as a result of not using their rights.

The compensation due to every share (if any) will be determined for the Eligible Persons who did not participate in the subscription and those who deserve the fractions of shares by dividing the compensation amount by the total number of shares unsubscribed by the Eligible Shareholders and those who are eligible for fraction shares. Accordingly, the due compensation per share is determined, and which will be paid to the Eligible Shareholder in case the shareholder did not subscribe for the whole or part of such shares they own.

Filling the application of New Shares subscription

Eligible Persons wishing to exercise their full right and subscribe for all the Rights to which they are entitled, must fill and submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Agents.

The number of Shares that the Eligible Person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Period. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Period by SAR 10 .

By completing and presenting the Subscription Application Form, the Subscriber:

1- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;

2- Warrants that he/she has carefully read the Prospectus and understood all its contents;

3- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;

4- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus;

5- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and

6- Warrants not cancelling or amending the Subscription Application Form after submitting it to the Receiving Agent.

Subscription for all Eligible Shares of the Eligible Shareholder

The Eligible Person, who desires to subscribe for all of his/her rights, shall fill the Subscription Application Form and submit it with the amount of the subscription enclosed with the required documentations to a receiving Agent during the Offering Period.

The number of Shares that the Eligible Person is entitled to will be calculated by multiplying the number of the existing Rights owned by one (1). Fractions are not to be calculated but rounded by deleting the fraction whenever necessary. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights by SAR 10.

Non-subscription in the New Shares by the Eligible Shareholder

If the Eligible Shareholder is not willing to subscribe for the New Shares, then he shall do nothing. He will be only considered as a shareholder non-participant in the subscription and shall have the right to receive the compensation amount "if any" as mentioned above.

Documents required to be submitted with the subscription application form

The application form shall be submitted with the following documentations, and the Receiving Agent shall compare the original document with its copy and to give back the original to the subscriber.

- Original and a copy of the national identity card (for individual subscriber)
- Original and a copy of the family identification card (for family members)
- Original and a copy of the Shariah power of attorney (in case of authorizing another person for the subscription)
- Original and a copy of custody deed (for orphans) (individual subscriber)
- Original and copy of residence permit (Iqama) for non-Saudi ,as applicable (individual subscriber)
- Original and a copy of commercial registration (in case of entities).
- Original of the bank check duly attested and drawn at a local bank provided that it shall be registered in the name of Al Rajhi Company for Cooperative Insurance (or Al Rajhi Takaful) in case of the non-existence of current account for the subscriber at any of the Receiving Agents.

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Agents, by authorizing the Receiving Agent to debit the account of the subscriber at the Receiving Agent with the required amount, or through a certified check drawn at one of the local banks and in favor of Al Rajhi Company for Cooperative Insurance - Rights Issue".

Power of attorney will be restricted to first class relatives (children, parents, wife, husband). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

Submission of Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Period and the Second Offering Period. Subscription Application Forms can be submitted by Institutional Investors for any Rump Shares only during the Rump Offering. Subscription Application Forms can be delivered during either of the offering periods either through a branch of the Receiving Agents or the tele-banking services section or ATMs or internet banking of any of the Receiving Agents providing such services. The Subscription Application Form includes further information which is to be strictly followed. Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent shall stamp it and provide the Subscriber with a copy thereof. If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Eligible Person shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New Shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Agents' branches;
- Payment in full the total subscription amount; and
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Share allocated to him/her.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

16-2 Allocation

the Receiving Agents will open an escrow account called "Al Rajhi Takaful - Rights Issue", in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed on pro rata to the Eligible Persons no later than 27 / 06 / 1436H, (corresponding to 16 / 04 / 2015G).

Excess unsubscribed Shares shall be offered to the institutional investors during the Rump Offering Period. If Institutional investors are unwilling to purchase such Rights, the remaining Rights, if any, shall be purchased by the Underwriter.

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Agents is expected to take place by depositing them into the accounts of Subscribers with the receiving Agents. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than 19 / 06 / 1436H, corresponding to 08 / 04 / 2015G.

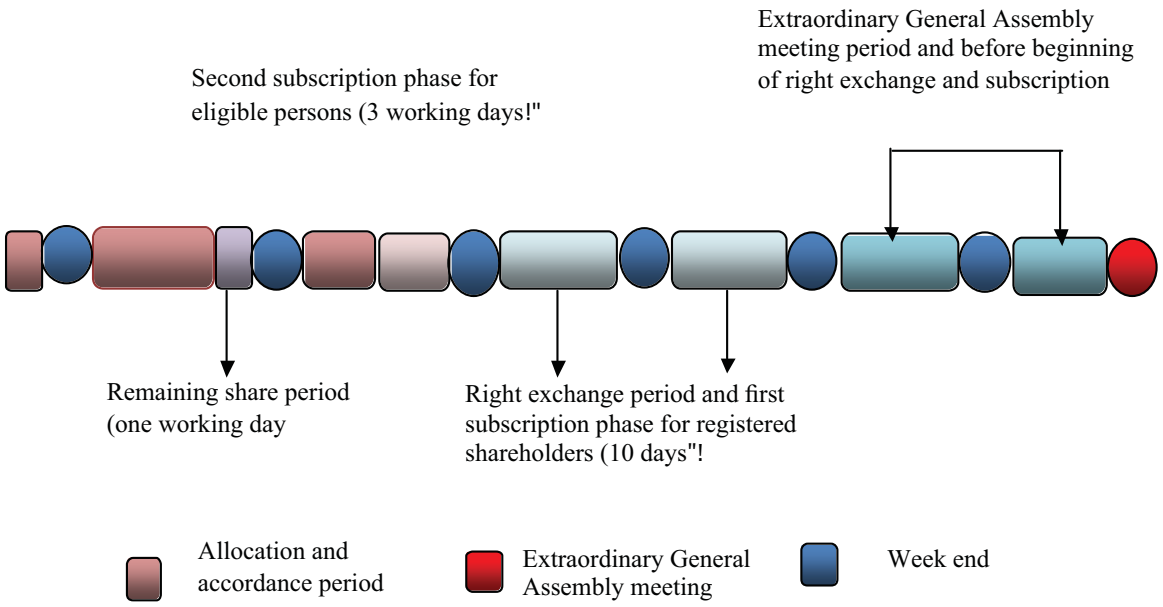
As for the fractional shares, fractions will be collected and offered on institutional investors during the Rump Offering period. The proceeds of the sale will be distributed to the owners of these shares, each according to what he deserves, and no later than 27 / 06 / 1436H corresponding to 16 / 04 / 2015G.

Payment of compensation amounts:

The compensation to Eligible Persons who do not subscribe for all or part of the Rights Issue, if any, shall be paid no later than 27 / 06 / 1436H, corresponding to 16 / 04 / 2015G.

Illustration of the new Rights mechanism

Following is a diagram to illustrate the mechanism for the New Shares



FAQs about the Rights Issue Mechanism

What are rights?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

To whom Rights are granted?

It is an acquired right for all shareholders registered in the Company records at the end of the day of the Extraordinary General Assembly meeting.

When are they deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How registered shareholder is notified regarding the deposit of right at its accounts?

Via an advertisement in Tadawul website

How many rights the registered shareholder will have?

Number depends on the eligibility factor and the number of shares owned by the registered shareholder at the end of the Extraordinary General Assembly meeting.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 500 New Shares, its number of shares becomes 1,500. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Will the name and the code of these rights differ from the Company's name and code?

Yeas, rights will be deposited at investors' accounts and traded under new code.

What is right's value upon the commencement of exchange (trade)?

The opening price will be the difference between the closing price of the Company's shares on the previous day for the inclusion of the right and the issuance price. To illustrate, if the closing price of share in the previous day was SR 40, for example, and the issuance price is SR10, then the opening price for the rights.) (at the beginning of trading will be (SAR30), which is the difference between the two mentioned prices.

Can Registered Shareholders subscribe additional shares?

Yes, Registered Shareholders subscribe additional shares through the purchase of new rights in the trading period, and can subscribe additional shares only during the second phase of subscription.

How is offering performed?

Offering is performed by submitting subscription application forms at any of the branches of Receiving Agents previously mentioned (and during the two phases of the offering).

Are shareholders who hold shares certificates authorized for subscription and trading?

Yes, they are authorized, but after the deposit of their certificates in investment portfolios via the receiving bodies or deposit center in Tadawul and submitting the required documentations.

What happens in the case of subscription of New Shares and the sale of rights after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded

Can a shareholder who bought additional rights trade (exchange) them again?

He/she can sell them and buy other rights during trading (exchange) period.

Is it possible to sell part of its rights?

The investor can sell a portion of these rights and subscribe the remaining part.

Is it possible to subscribe during the weekend between the first and second phases of the IPO?

No, it is not.

When the shareholder can subscribe to the priority that bought during the trading period of the rights of rights?

During the second phase of the IPO only after the end of the Rights trading period.

Can Eligible Person sell a right after the expiration of the trading (exchange) period?

No. After the expiry of the trading period Eligible Person can only exercise its subscription right only. In case of non-exercise of the right, the investor may be subject to loss or decline in the value of its investment account.

What happens to the rights of priority that have not been sold or the exercise of subscription during the trading period and the two phases of the offering?

Those shares are issued for the remaining issuance period, according to the instructions of the Lead Manager pursuant to parameters set by this Prospectus.

Will there be any additional charges for rights trading operations?

Same charges applied to the shares, but without a minimum amount of the charge.

Can shareholder subscribe more than once and through more than one receiving bank?

Yes, but taking into account that the amount of subscribed shares shall not exceed the number of rights owned at the end of the trading period of the rights, whereas any increase in the amount of shares subscribed over the number of rights owned at the end of the trading period of the rights will result in the cancellation of the subscription request.

In case of owning Company's Shares through more than one investment accounts, in which account rights are deposited?

Rights will be deposited in the same account in where the Company's Shares related to the rights are deposited. For example, if a shareholder owns 1000 shares in the Company (800 shares in account (a) and 200 shares in account (b) (the sum of the rights that will be deposited is 1000 rights on the grounds that each share has (1) right, and accordingly ,800 rights will be deposited in the account (a) and 200 rights will be deposited in account (b).

In case of subscription through more than one account, where are new shares are deposited

after allocation?

According to the rules of the Securities Depository Center, securities will be deposited in the newest securities portfolio of the owners of securities with the exception of Securities owned by certificates.

Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of a significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or (2) any additional issues that should have been included in this Prospectus. In these cases it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

The trading in New Shares

Shares issued for subscription will be traded upon the fulfillment of the related procedures, and this is expected to be after the retrieval of subscription surplus and in coordination with CMA and will be announced later.

16-3 Subscribers Declaration

By filling and submitting the subscription application form, the subscriber agrees the following:

- Agrees to his subscription in the Company with the number of shares clarified in the application.
- Reviews the Prospectus including all of its content and that he has fully understands it.
- Agrees on the By-Laws of the Company and the terms and conditions mentioned in the Prospectus.
- Pledges not to waive any of his rights and claims against any damage he may suffer as a result of the content of the Prospectus if it contains any wrong information or due to insufficient information, or the lack of such information that directly affects the subscriber's acceptance of subscription in case such information is added to the Prospectus.
- has never subscribed to these shares and the Company has the right to refuse all requests in the case he repeated application.
- Accept the shares allocated to him pursuant to the subscription application and he accepts all contributions terms and condition included in this Prospectus.
- Ensure that the application will not be revoked or withdrawn after submission to the Receiving Agent.

16-4 Resolutions and Approvals under which shares are offered

The Company has recently obtained SAMA's approval under letter No. 351000131835 dated 24 / 10 / 1435H (20 / 08 / 2014) to increase its Share Capital by SAR 200 million through Rights Offering. Upon completion of the Offering the Company's Share Capital will be SAR 400 million divided into 20 million shares with nominal value of SAR 10 per share. The Company's Board has issued its resolution dated 27 / 06 /1435H (27 / 4 /2014G) recommending increase of the Company's capital to meet its solvency requirements and meet its expansion plans. The EGM held on 19 / 05 /1436H corresponding to 10 / 03 / 2015 has approved the recommendation of the Board of Directors to increase the capital as mentioned and the subscription therein will be limited to shareholders registered at the end of the trading day of the EGM. This Prospectus and all the supporting documents requested by the CMA have been approved by publishing this Prospectus on Tadawul's website on 20 / 05 / 1436H (corresponding to 11 / 03 / 2015.

This Prospectus and all the supporting documents requested by the CMA have been approved by publishing this

Prospectus on Tadawul's website on 20 / 05 / 1436H (corresponding to 11 / 03 / 2015.

16-5 Important notice

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription.

Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party. The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English. The Arabic text shall take precedence in the event of any conflict between the Arabic and English versions of this Prospectus.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of (1) a significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or (2) any additional issues that should have been included

in this Prospectus. In these cases it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

16-6 Saudi Exchange Market (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade orderthrough settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m., from Sunday until Thursday of each week. After close of exchange trading, orders can be entered, amended or deleted from 10:00 a.m. until 11:00 a.m.

New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul's management. Tadawul's Law works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Transactions are settled automatically on a T+0 bases, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

16-7 Registration on the Saudi Stock Exchange

The Company made an application to the CMA to enlist and include the new shares on the official Saudi Stock

Exchange. The registration is expected to be approved and trading to commence on the Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed or extended at any time subject to approval of the CMA. Although the Existing Shares are registered on the Official List and the Company's shares are listed on Tadawul, it will only be possible to trade in the New Shares unless after the allocation of the New Shares to successful Subscribers and Rump Offering Participants has been approved and these have been placed in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares before that.

Subscribers who engage in any forward trading activity shall be acting at their own risk. The Company shall have no legal responsibility in such an event.

16-8 Change in the share price as a result of the Capital increase

The closing price of the Company's share on the day of the EGM was 44.25 and will be reset to 27.13 in the opening session the next day. The change represents a decrease of 38.69%.

The method of calculating the share price as a result of the capital increase is as follows:

First : Calculate the market value of the Company at the close of trading on the day of the EGM:

Number of shares issue by the Company at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

Second: Calculate the price of share in the opening session on the day following the day the EGM:

The market value of the Company at the close on the day of the EGM + the value of the offered shares) / (Number of shares issued by the Company at the end of the day the EGM + the number of New Shares offered in this Offering) = share price reset for the opening session on the day following the day the EGM. .

16-9 Arrangements of non-disposal in certain shares

In case the Founding Shareholders decide to sell all or part of their shares, they must have the approval of Saudi Arabian Monetary Agency and the Capital Market Authority.

17- Documents Available for Inspection

The following documents will be available for inspection in the headquarter of the Company in Riyadh. Al-Malaz District - Al-Smitten Street.-Platinum Center-3rd floor, within the official working hours from 8:30 am to 4:30 pm from Sunday to Thursday 20 days prior to offering and during the offering period.

1. The Company By-Laws.
2. Company's commercial registration certificate
3. The approval of CMA regarding the issuance of rights shares
4. The recommendation of the Board of Directors regarding the increase of the capital
5. The decision of the EGM extraordinary general assembly regarding the increase of the capital.
6. The audited financial statements as of 31 December 2011, 2012 and 2013G and the audited financial statements for the first half of 2014G.
7. Written consent from the Financial Advisor and Lead Manager, Legal Advisor, Financial Due Care Consultant regarding the inclusion of their names, logos and statements in this Prospectus.
8. Company's financial evaluation report prepared by Al Dukhail Financial Group including the future plans.
9. Copies of the contracts that must be disclosed pursuant to paragraph (1) (i) of section (13) of the 4th appendix of the Listing Rules.
10. The approval of CMA on the increase of the capital.
11. Market study reports
12. Business plan

Pursuant to the requirements of CMA, all documents and reports will be provided and made available for inspection in Arabic versions. In case it is not possible to submit some of these documentations in Arabic, an application for exclusion will be submitted to the Authority and this will be subject to its approval.

تكافل الراجحي
Al Rajhi Takaful

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

FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF FINANCIAL POSITION
As at 31 DECEMBER

	Notes	2011 SR'000	2010 SR'000
TAKAFUL OPERATIONS' ASSETS			
Contributions receivable, net	5	61,482	35,581
Re-takaful share of outstanding claims	12	43,976	14,852
Re-takaful share of unearned contributions		73,345	38,103
Amount due from insurers and others	6	17,256	5,621
Due from shareholders' operations		196,822	75,401
Deferred policy acquisition costs	13 (a)	13,399	2,652
Available for sale investment	10 (i)a	30,216	--
Investments held to maturity	10 (i)a	7,000	--
Cash and bank balances	7	48,950	34,461
TOTAL TAKAFUL OPERATIONS' ASSETS		**492,446**	**206,671**
SHAREHOLDERS' ASSETS			
Property and equipment, net	8	15,040	10,768
Due from related parties	21	957	778
Statutory deposit	9	20,000	20,000
Wakala fees receivable		35,620	--
Available for sale investments	10(ii)a	2,223	60,870
Investment at FVIS	10(ii)a	31,125	21,523
Investments held to maturity	10(ii)a	197,175	28,000
Advances, prepayments and other assets	11	19,793	7,337
Cash and bank balances	7	1,211	82,979
TOTAL SHAREHOLDERS' ASSETS		**323,144**	**232,255**
TOTAL ASSETS		**815,590**	**438,926**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 DECEMBER

	Notes	2011 SR'000	2010 SR'000
TAKAFUL OPERATIONS' LIABILITIES			
Gross outstanding claims	12(a)	100,240	28,304
Unearned contributions	13(c)	237,452	126,839
Unearned commission income	13(b)	5,525	2,000
Wakala fees payable		35,620	--
Re-takaful balances payable		85,925	41,872
Payables, accruals and others	14	27,606	7,656
		492,368	206,671
Fair value reserve on investments		78	--
TOTAL TAKAFUL OPERATIONS' LIABILITIES		**492,446**	**206,671**
SHAREHOLDERS'LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others	14	12,717	8,468
Due to takaful operations		196,822	75,401
Employees' end of service benefits		2,410	1,243
Provision for Zakat	15	1,859	3,757
TOTAL SHAREHOLDERS' LIABILITIES			
SHAREHOLDERS' EQUITY		213,808	88,869
Issued share capital	16	200,000	200,000
Deficit for the year / period		(90,664)	(57,759)
Fair value reserve		--	1,145
TOTAL SHAREHOLDERS' EQUITY		**109,336**	**143,386**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**323,144**	**232,255**
TOTAL TAKAFUL OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		**815,590**	**438,926**

STATEMENT OF TAKAFUL OPERATIONS

	Notes	2011 SR'000	2010 SR'000
Gross contributions written		493,344	229,864
Re-takaful contributions ceded		(146,678)	(67,988)
Net contribution written		346,666	161,876
Excess of loss expenses		(1,861)	(1,697)
Change in unearned contributions, net		(75,371)	(88,736)
Net contribution earned		269,434	71,443
Fee and commission income		902	4,337
Re-takaful commission income	13(b)	7,830	4,036
Underwriting revenue		278,166	79,816
Gross claims paid	12(b)	(214,093)	(43,723)
Re-takaful share of claims paid	12(b)	50,817	7,669
Net claims paid		(163,276)	(36,054)
Change in gross outstanding claims, net	12(b)	(28,448)	(7,832)
Net claims incurred		(191,724)	(43,886)
Inspection and supervision fees		(4,478)	(2,131)
Policy acquisition cost	13 (a)	(18,472)	(3,436)
Other expenses		(8,557)	(2,336)
Total claims and other expenses		(223,231)	(51,789)
Underwriting surplus for the year/period		54,935	28,027
Investment income		365	18
Mudarib's share of investment income		(91)	(7)
Wakala Fees		(176,630)	(103,439)
Deficit for the year/period		(121,421)	(75,401)
Transferred to shareholders' operations		121,421	75,401
Net result for the year/period		--	--

STATEMENT OF SHAREHOLDERS' OPERATIONS

	Notes	2011 SR'000	2010 SR'000
Wakala fees		176,630	103,439
Investment income		974	346
Mudarib's share of investment income		91	
Unrealized (loss) / gain on investments at FVIS		(281)	1,542
Realized gain on sale of investments		1,797	1,567
Income from investments held to maturity		1,812	180
Total revenue		181,023	107,074
General and administrative expenses	18	(91,577)	(70,501)
Pre-incorporation expenses-net	19	--	(15,174)
Net deficit transferred from takaful operations		(121,421)	(75,401)
Loss for the period before Zakat		(31,975)	(54,002)
Zakat for the year/period		(930)	(3,757)
Net Loss for the year/period		(32,905)	(57,759)
Basic and diluted loss per share (SR)	**20**	**(1.65)**	**(2.88)**

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE RESULTS

	Notes	2011 SR'000	2010 SR'000
Net loss for the year		(32,905)	(57,759)
Fair value change in available for sale investments	10(ii)b	(1,145)	1,145
Total comprehensive loss for the year/period		(34,050)	(56,614)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital SR'000	Deficit for the period SR'000	Fair value reserve SR'000	Total SR'000
Issued share capital	200,000	--	--	200,000
Total comprehensive loss for the period	--	(57,759)	1,145	(56,614)
Balance as at 31 December 2010	200,000	(57,759)	1,145	143,386
Total comprehensive loss for the year	--	(32,905)	(1,145)	(34,050)
Balance as at 31 December 2011	200,000	(90,664)	-	109,336

STATEMENT OF TAKAFUL OPERATIONS' CASH FLOWS

	Notes	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Net result for the period		--	--
Adjustments for:			
Provision for doubtful debts		8,532	2,192
Changes in operating assets and liabilities:			
Contributions receivable		(34,433)	(37,773)
Re-takaful share of outstanding claims		(29,124)	(14,852)
Re-takaful share of unearned contributions		(35,242)	(38,103)
Amount due from insurers and others		(11,635)	(5,621)
Wakala fee payable		35,620	--
Due from shareholders' operations		(121,421)	(75,401)
Deferred policy acquisition costs		(10,747)	(2,652)
Deposit against letters of guarantee		200	(5,250)
Outstanding claims		71,936	28,304
Unearned contributions		110,613	126,839
Unearned commission income		3,525	2,000
Re-takaful balances payable, net		44,053	41,872
Payables, accruals and others		19,950	7,656
Net cash from operating activities			
INVESTING ACTIVITIES		51,827	29,211
Purchase of available for sale investments		(30,138)	--
Purchase of investments held to maturity		(7,000)	--
Net cash used in investing activities		(37,138)	--
Net change in cash and cash equivalents		14,689	29,211
Cash and cash equivalents at the beginning of period		29,211	--
Cash and cash equivalents at the end of the period	7	43,900	29,211
Non - cash supplemental information:			
Change in fair value of investments held as available for sale		78	--

STATEMENT OF SHAREHOLDERS' CASH FLOWS

	Notes	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Net loss for the period		(32,905)	(57,759)
Adjustments for:			
Depreciation		3,290	1,910
Provision for Zakat		930	3,757
Employees' end of service benefits		1,167	1,243
Unrealized Fair value gain on investments at FVIS		281	(1,543)
Realised gain on investment		(1,797)	--
		(29,034)	(52,392)
Changes in operating assets and liabilities:			
Due from related parties		(179)	(778)
Statutory deposit		--	(20,000)
Wakala fee receivable		(35,620)	--
Advances, prepayments and other assets		(12,456)	(7,337)
Payables, accruals and others		4,249	8,468
Due to takaful operations		121,421	75,401
		48,381	--
Zakat paid		(2,828)	
Net cash from operating activities		45,553	3,362
INVESTING ACTIVITIES			
Purchase of property and equipment		(7,562)	(12,678)
Sale / (purchase) of available for sale investments, net		59,299	(59,725)
Purchase of investment at FVIS, net		(9,883)	(19,980)
Purchase of investment held to maturity		(169,175)	(28,000)
Net cash (used in) investing activities		(127,321)	(120,383)
FINANCING ACTIVITIES			
Issue of share capital		--	200,000
Net cash from financing activities		--	200,000
Net change in cash and cash equivalent			
Cash and cash equivalents, beginning of the year / period		(81,768)	82,979
Cash and cash equivalents at the end of the year / period	7	82,979	--
Non-cash supplemental information:		1,211	82,979
Changes in fair value of available for sale investments	10(ii)b	(1,145)	1,145

STATEMENT OF SHAREHOLDERS' CASH FLOWS
For year ended 31 December

1 - ORGANIZATION 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 registered office address 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 and 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 to17 November 2009), the Company received the license from Saudi Arabian Monetary Agency (SAMA) to transact cooperative insurance business in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 13 July 2009. Subsequent to period end the Company got product approval from SAMA on 17 January 2010.

This is the second financial reporting period of the Company. Its first financial reporting period as per the Company's by-laws and articles of association was from the issuance date of the Ministerial Resolution declaring the incorporation of the Company, being 7 Jumaada Thani 1430H (corresponding to 1 June 2009), and end on 31 December 2010 and the comparatives in these financial statement are presented for 19 months period since date of ministerial resolution and as presented in the audited financial statements.

2 BASIS OF PREPARATION

a) Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments and FVIS investments.

b) Statement of compliance

The Company has prepared these 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. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective books. The basis of allocation of expenses from joint operations is determined and approved 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 Riyals rounded to the nearest thousand (SR'000), unless otherwise indicated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New amendments and standards issued but not yet effective

The following amendments and standards have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements.The Company has chosen not to early adopt the amendments and the newly issued standards:

- Amendments to IAS 1 - Presentation of Financial Statements (effective date 1 January 2013)
- IFRS 13 Fair value measurements (effective date 1 January 2013)
- IFRS 9 Financial Instruments (effective date 1 January 2015)

The application of the above standards is not expected to have a material impact on the financial statements as and when they become effective. However, the application of these standards will result in amendments to the presentation of the financial statements.

The significant accounting policies adopted are as follows:

Takaful contracts

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the policyholders) by agreeing to compensate the plan holders if a specified uncertain future event (the insured event) adversely affects the plan holders.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Company has adopted a hybrid model to account for its takafal business. Under this model the Company being a takaful operator charges a fixed percentage of contribution as wakala fee from the policyholders and all the general and administrative expenses are borne by the shareholders.

Takaful contracts have discretionary participation features (DPF). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the
  - performance of a specified pool of contracts or a specified type of contract
  - the profit or loss of the takaful operation.

Re-takaful

Re-takaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful contracts held are recognized as re-takaful assets. These assets consist of the re-takaful share of settlement of claims and other receivables such as profit commissions and the re-takaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful contracts. Amounts recoverable from or due to re-takaful companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract

At each reporting date, the Company assesses whether there is any indication that a re-takaful asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of a re-takaful asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of takaful operations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of takaful operations in the period in which they are incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of takaful operations.

The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Deferred policy acquisition cost (DPAC)

Commissions and other costs of acquiring takaful contracts that are primarily related to securing new contracts and renewing existing contracts are capitalized as an intangible asset and are subsequently amortized over the life of the contract on a basis consistent with the term of the related policy coverage

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment charge in the statement of takaful operations. DPAC is also considered in the liability adequacy test for each reporting period.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of takaful operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Contribution receivables

Contribution receivables when due are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of contributions receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of takaful operations. Contribution receivables are derecognized when the de-recognition criteria for financial assets have been met.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and murabaha deposits with an original maturity of three months or less at original acquisition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The accounting policies for each of the classification of investments are as follows

Available-for-sale financial assets for shareholders / takaful operation

Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates.

Available for sale investment securities are initially recognized at fair value, including acquisition charges associated with the investment. For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security.

Investment Held to maturity:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at cost, adjusted by the amount of amortization of premium or accretion of discount using the effective interest method.

Any permanent decline in value of investments is adjusted for and reported in the related statements of takaful operations or shareholders' comprehensive results as impairment charges.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

Investment fair valued through profit or loss

Investments in this category are classified as either investment held for trading or those designated as investment fair valued through profit or loss (FVIS) at inception. Investments classified as held for trading are acquired principally for the purpose of selling or repurchasing in the short term. An investment may be designated as FVIS by the management if it satisfies the criteria set out below (except for equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured):

- it is a financial instrument containing one or more embedded derivatives that significantly modify the cash flows resulting from the financial instrument, or
- it is a financial instrument with an embedded derivative that is required to be separated from the host contract under International Accounting Standard 39, but the Company is unable to measure reliably the embedded derivative separately either at acquisition or at a subsequent reporting date

Designated financial assets are recognized when the Company enters into the contractual provisions of the arrangements with counterparties on trade date and de-recognized when sold.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment fair valued through profit or loss (continued)

After initial recognition, investments at FVIS are measured at fair value and any change in the fair value is recognized in the statement of shareholders' operations for the period in which it arises. Special commission income and dividend income received on financial assets held as FVIS are reflected as income from investment held as FVIS in the statement of shareholders' operations.

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis.

For discounted cash flow techniques, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for a similar instrument.

Impairment of other assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including contribution receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is based on the decline in fair value.

For presentation purposes, the resulting reserve is carried in the respective category within the statement of financial position and the related statements of takaful operations or shareholders' comprehensive results are adjusted.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

i. Significant financial difficulty of the issuer or debtor;
ii. A breach of contract, such as a default or delinquency in payments;
iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
iv. The disappearance of an active market for that financial asset because of financial difficulties; or

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of other assets (continued)

v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

– adverse changes in the payment status of issuers or debtors in the Company; or

– national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

Impairment of non financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Expenditure for repair and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Depreciation is charged to the statement of shareholders operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Years
Office and electrical equipment	5
Furniture and fixtures	6 - 7
Motor Vehicle	5
Computer equipments and Software	3

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Retakaful' balance payable

Retakaful' balances payable comprise of the amounts payable to various reinsurance companies in respect of reinsurer share of premiums net off paid claims and commission income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Pre-incorporation expenses

Pre-incorporation expenses comprise expenditure incurred prior to commencement of commercial operations of the Company. These costs include legal and professional fees, various fees relating to registering the Company, advertising and promotion expenses relating to establishing the Company, and transaction costs incurred on the Initial Public Offering.

Zakat and income taxes

The company is subject to Zakat in accordance with the regulation of the Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement of shareholder's operation.

Revenue recognition

Recognition of premium

Contributions are recoganised in statement of takaful operations over the terms of the policies to which they relate on a pro-rata basis. Unearned contributions represent the portion of contributions written relating to the unexpired period of coverage at the reporting date. The change in the unearned contributions is recoganised in the statement of takaful operations such that revenue is recognized over the period of risk.

The underwriting surplus/ deficit represents contribution earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to re-takaful, less provision for any anticipated future losses on continuing policies.

Fees and commission income

Fees & commission income represents management fees charged to client and other policy documentation charges recovered from insured.

Wakala fees

Wakala fee from takaful operations are recognized when earned in accordance with the takaful agreements approved by the Shariah Supervisory Board and the Board of Directors.

Re-takaful commission income

Re-takaful commissions are deferred and amortized on a straight-line basis over the term of the takaful contracts.

Other income

Dividend income is recognized when the right to receive payment is established..

Interest income on investments is recognised on a time proportion basis taking into account the effective yield on the investments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other segments, whose operating results are reviewed regularly by the management committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company is organised into business units based on their products and services and has three operating and one non-operating reportable segments as follows:

- General;
- Motor;
- Health; and

Shareholders' operation is a non-operating segment..

Segment performance is evaluated based on segment profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. Company financing is managed for the Company as a whole and are not allocated to individual operating segments.

If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of takaful operations, except when they relate to items where gains or losses are recognized directly in equity and the gain or loss is recognized net of the exchange component in equity.

As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant and have not been disclosed separately.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of shareholders' operations and takaful operations unless required or permitted by any accounting standard or interpretation.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further details of the specific estimate and judgments made by management are given in the accounting policies notes below:

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The ultimate liability arising from claims made under takaful contracts

The estimation of the ultimate liability arising from claims made under takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of 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, which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting 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.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims on a quarterly basis.

Liabilities arising under general, motor and health takaful contracts are independently reviewed and certified by an external actuary.

Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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.

Deferred policy acquisition costs

Certain acquisition costs related to writing or renewal of policies are recorded as Deferred Policy Acquisition Costs (DPAC) and are amortised in the statement of takaful operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of takaful operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

5 CONTRIBUTIONS RECEIVABLE, NET

	2011 SR'000	2010 SR'000
Due from policyholders	43,720	28,543
Due from a related party	28,486	9,230
	72,206	37,773
Provision for doubtful debts	(10,724)	(2,192)
	61,482	**35,581**
The movement in provision for doubtful debts for the year was as follows:		
Balance at beginning of year/period	2,192	--
Charge for the year/period	8,532	2,192
Balance at end of year/period	10,724	2,192
As at 31 December 2011, the ageing of contributions receivable balances is as follows:		

	Total SR'000	Not yet due SR'000	Neigher past due nor impaired SR'000	91 to 180 days SR'000	18 to 365 days SR'000	Above 365 days SR'000
As at 31 December 2011	72,206	16,595	21,415	8,886	19,183	6,127
As at 31 December 2010, the ageing of unimpaired contributions receivable balances is as follows:						
As at 31 December 2011	37,773	11,926	14,257	7,055	4,535	--
As at 31 December 2010, the ageing of unimpaired contributions receivable balances is as follows:						
The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of takaful operations. It is not the practice of the Company to obtain collateral over receivables.						
The five largest non-Government customers account for 32% of outstanding accounts receivable as at December 31, 2011 (2010: 28%).						

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

6 - AMOUNT DUE FROM INSURERS AND OTHERS

	Total SR'000	Insurance Co. SR'000	Individuals SR'000	Insured SR'000	Others SR'000
As at 31 December 2011	17,256	7,850	2,150	1,494	5,762
As at 31 December 2010	5,621	83	2,070	3,435	33

7 - CASH AND BANK BALANCES

	2011 SR'000	
	Takaful Operations	Shareholders
Cash in hand and at banks	13,247	1,211
Murabaha deposits	30,653	--
	43,900	1,211
Deposit against letter of guarantee	5,050	--
	48,950	1,211

	2010 SR'000	
	Takaful Operations	Shareholders
Cash in hand and at banks	24,214	62,981
Murabaha deposits	4,997	19,998
	29,211	82,979
Deposit against letter of guarantee	5,250	-
	34,461	82,979

Bank balances and murabaha deposits are placed with counterparties who have investment grade credit ratings. Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on murabaha deposits at 31 December 2011 is 1.41% per annum (2010- 0.65% per annum).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For year ended 31 December 2011

8 - PROPERTY AND EQUIPMENT

	Office & electrical equipments SR'000	Furniture & fixtures SR'000	Motor Vehicles SR'000	Computer software SR'000	Computer Hardware SR'000	Total 2011 SR'000	Total 2010 SR'000
Cost:							
At the beginning of the	816	8,401	391	750	2,320	12,678	--
year/period							
Additions/transfers	762	4,867	190	261	1,482	7,562	12,678
Disposals / transfer	--	--	--	--	--	--	--
At the end of the year/period	1,578	13,268	581	1,011	3,802	20,240	12,678
Accumulated depreciation:							
At the beginning of the	127	969	77	144	593	1,910	--
year/period	267	1,676	85	185	1,077	3,290	1,910
Charge for the year /period	--	--	--	--	--	--	--
Disposals	394	2,645	162	329	1,670	5,200	1,910
At the end of the year/period							
Net book value as at							
31 December 2011	1,184	10,623	419	682	2,132	15,040	
31 December 2010	689	7,432	314	606	1,727		10,768

9 - STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency.

10 - INVESTMENTS

i) Takaful operations:

a) Investments comprise of available-for-sale investments and held to maturity investments. An analysis of investments is set out below:

	2011 SR'000	2010 SR'000
Available-for-sale investments – (level – 2)		
Investment in Al Rajhi Capital Commodity Mudarabah Fund	30,216	--
Held to maturity investments – unquoted (level – 3)	7,000	--
Murabaha deposits		
	37,216	--

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

10 INVESTMENTS (CONTINUED)

i) Takaful operation (continued)

b) The movements in the available-for-sale investments were as follows:

	Quoted securities SR'000
As at 1 January 2011	--
Purchased during the year	130,000
Sold during the year	(99,862)
Net change in fair values of investments	78
As at 31 December 2011	30,216

c) The movements in the held to maturity investments were as follows:

	Unquoted securities SR'000
As at 1 January 2011	--
Purchased during the year	7,000
As at 31 December 2011	7,000

ii) Shareholders operation:

a) Investments comprise of available-for-sale and investments at FVIS. An analysis of investments is set out below:

	2011 SR'000	2010 SR'000
Available-for-sale investments –(level – 2)		
Investment in Al Rajhi Capital Commodity Mudarabah Fund	--	58,647
Available-for-sale investments –unquoted	2,223	2,223
Investment - Al Najm Insurance Co.	2,223	60,870
Investments at FVIS (Saudi Company Equities) (Level -1)	31,125	21,523
Investments held to maturity – unquoted (level – 3)	33,348	82,393
Murabaha deposits	197,175	28,000
Total investments	**230,523**	**110,393**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

10 INVESTMENTS (CONTINUED)

b) The movements in the available-for-sale investments (level – 2) were as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of year / period	58,647	--
Purchased during the period	173,000	206,350
Sold during the period	(230,502)	(148,848)
Net change in fair values of investments	(1,145)	1,145
Balance at the end of year / period	--	58,647
c) The movements in the FVIS investments quoted securities were as follows:		
Balance at the beginning of year / period	21,523	--
Purchased during the period	9,883	19,980
Disposal during the period	--	--
Net change in fair values of investments	(281)	1,543
Balance at the end of year / period	**31,125**	**21,523**

10 INVESTMENTS (CONTINUED)

ii) Shareholder operation (continued)

d) The movements in the held to maturity investments unquoted securities were as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of year / period	28,000	--
Purchased during the period	197,175	28,000
Disposal during the period	(28,000)	--
Balance at the end of year / period	197,175	28,000

e) Investment in 'Al Najm Insurance Company' represents a 4.55% equity holding in that Company. As the fair value is not readily available, this investment has been carried at cost and reviewed by management for impairment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

10 INVESTMENTS (CONTINUED)

d) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 The Company uses the Level 2 hierarchy for determining and disclosing the fair value of financial instruments which is inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e as prices) or indirectly (i.e. derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11- ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR'000 Shareholders	2010 SR'000 Shareholders
Prepayments:	1,696	2,310
Rent	4,723	4,892
Others	12,087	69
Advances to suppliers	42	32
Deposits	1,245	34
Accrued profits from term deposits	**19,793**	**7,337**

12- OUTSTANDING CLAIMS

a) Outstanding claims at period end are as follows:

	2011				
	Outstanding Claims SR'000	IBNR SR'000	Total gross outstanding claims SR'000	Re-takaful share SR'000	Net SR'000
Cash in hand and at banks	11,068	1,655	12,723	(10,083)	2,640
Murabaha deposits	26,212	11,700	37,912	(1,190)	36,722
Deposit against letter of guarantee	26,126	23,479	49,605	(32,703)	16,902
	63,406	**36,834**	**100,240**	**(43,976)**	**56,264**

	2010				
	Outstanding Claims SR'000	IBNR SR'000	Total gross outstanding claims SR'000	Re-takaful share SR'000	Net SR'000
Cash in hand and at banks	6,588	2,230	8,818	(7,010)	1,808
Murabaha deposits	3,341	5,018	8,359	(53)	8,306
Deposit against letter of guarantee	6,153	4,974	11,127	(7,789)	3,338
	16,082	**12,222**	**28,304**	**(14,852)**	**13,452**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For year ended 31 December 2011

12 OUTSTANDING CLAIMS (CONTINUED)

b) Movement in outstanding claims during the year / period is as follows:

	2011		
	Outstanding Claims SR'000	Re-takaful share SR'000	Net SR'000
Claims incurred during the year	279,500	(78,004)	201,496
Claims paid during the year	(214,093)	50,817	(163,276)
Claims incurred but not reported	36,833	(16,789)	20,044
Realizable value of salvage	(2,000)	--	(2,000)
	100,240	**(43,976)**	**56,264**

	2010		
	Outstanding Claims SR'000	Re-takaful share SR'000	Net SR'000
Claims incurred during the period	64,169	(17,106)	47,064
Claims paid during the period	(43,723)	7,669	(36,055)
Claims incurred but not reported	12,222	(5,415)	6,807
Realizable value of salvage	(4,364)	-	(4,364)
	28,304	**(14,852)**	**13,452**

13- MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME AND UNEARNED CONTRIBUTION INCOME

a) Deferred policy acquisition costs

	2011 SR'000	2010 SR'000
Balance at the beginning of year /period	2,652	--
Incurred during the year/period	29,219	6,088
Amortized during the year/period	(18,472)	(3,436)
Balance at the end of year/period	13,399	2,652

b) Movement in unearned commission income

	2011 SR'000	2010 SR'000
Balance at the beginning of year /period	**2,000**	--
Commission received during the year/period	**11,355**	6,036
Commission earned during the year/period	**(7,830)**	(4,036)
Balance at the end of year/period	**5,525**	2,000

13 MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME AND UNEARNED CONTRIBUTION INCOME (CONTINUED)

c) Movement in unearned contribution income

	2011 SR'000	2010 SR'000
Balance at the beginning of year /period	126,839	--
Contribution written during the year/period	493,344	229,864
Contribution earned during the year/period	(382,291)	(103,025)
Balance at the end of year/period	237,452	126,839

14 PAYABLES, ACCRUALS AND OTHERS

	2011 SR'000	
	Takaful Operations	Shareholders
Accounts payable and others	22,313	10,306
Accrued expenses	5,293	2,411
Due to related parties	--	--
	27.606	**12,717**

	2010 SR'000	
	Takaful Operations	Shareholders
Accounts payable and others	625	--
Accrued expenses	6,418	8,468
Due to related parties	612	--
	7,655	**8,468**

15-ZAKAT MOVEMENT

The provision for zakat charge is based on the following:

	2011 SR'000	2010 SR'000
Equity	142,241	200,000
Opening allowances and other adjustments	1,243	--
Book value of long term assets	(68,388)	(54,516)
Adjusted loss for the period	75,096	145,484
Zakat base	22,276	50,566
Zakat @ 2.5% (19 Months for 2010)	52,820	94,918
	1,321	**3,757**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For year ended 31 December 2011

The differences between the financial and zakat results are mainly due to provisions, which are not allowed in the calculation of adjusted loss.

The movement in the zakat provision for the year was as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of year /period	3,757	--
Provided during the year/period	930	3,757
Payments during the year/period	(2,828)	--
Balance at the end of year/period	1,859	3,757

The Company has filed Zakat returns with the Department of Zakat and Income tax (DZIT) for the period ended 2010 but the final assessments have not been raised yet.

16- SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 20 million issued and fully paid ordinary shares of SR 10 each.

17- CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

Bank Guarantee

As at 31 December 2011, the Company has letters of guarantee of SR 5.05 million (2010 : 5.30 million) issued to various motor agencies and workshops as per the terms of the agreements with them

Legal proceedings

The Company operates in the takaful industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

COMMITMENTS

The Company has a future capital commitment amounting to SR7 million relating to the payments with regards to ERP system.

18 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2011 SR'000 Shareholders	For 19 month period ended 31 December 2010 SR'000 Shareholders
Employee costs	54,792	47,839
Legal and professional fees	17,936	4,355
Office expenses	7,138	8,167
Communication expenses	711	1,260
Travel and lodging expenses	736	498
Advertising and marketing expenses	3,694	4,651
IT expenses	3,211	868
Amortization and depreciation	3,290	1,910
Others	69	953
	91,577	**70,501**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

19-PRE –INCORPORATION EXPENSES, NET

	For 19 month period ended 31 December 2010 SR'000
Salaries and benefits	11,503
Office expenses	8,478
IPO expenses	3,893
Total expenses incurred	23,874
Less: Commission earned on bank deposits up to 1 June 2009 received from related party	(8,700)
Pre-incorporation expenses, net	15,174

20-BASIC AND DILUTED LOSS PER SHARE

Loss per share for the period is calculated by dividing the net loss from shareholders' operations for the period by the number of shares outstanding at the end of the period of **20 million shares.**The provision for zakat charge is based on the following:

	Year ended 31 December 2011 SR'000 Shareholders	For 19 month period ended 31 December 2010 SR'000 Shareholders
Net loss for the year after Zakat	(32,905)	(57,759)
Weighted average number of shares in issue throughout the year	20,000	20,000
	(1.65)	(2.88)

Basic and diluted loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of date of statement of financial position.As of December 31, 2011 the Company has not issued any instruments which would have an impact on earnings (loss) per share when exercised.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

21- 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 of which they are principal owners 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 year ended 31 December 2011 and for the period from 1 June 2009 to 31December 2010:

Related party	Nature of transaction	Amount of transaction		Balance	
		31December 2011 SR'000	31December 2010 SR'000	31December 2011 SR'000	31December 2010 SR'000
Al Rajhi Insurance	Expenses paid on behalf				
Company	of related party takaful				
	operations	(144)	1,593	634	778
	Expenses paid on behalf				
	of related party				
Al Rajhi Bank	shareholder's operations	957	--	957	--
(shareholder)	**Due from related party**	813	1,593	1,591	778
Entities controlled,	Contribution for policies				
jointly controlled or	written.	190,513	101,838	5,569	216
significantly influenced					
by shareholder	Contribution for policies written.	35,299	17,183	22,917	9,014
Al Rajhi Bank	**Contributions receivable**	**225,812**	**119,021**	**28,486**	**9,230**
(shareholder)	Claims incurred and notified.	121,767	34,310	20,774	6,557
Al Rajhi Bank	**Outstanding claims**	**121,767**	34,310	**20,774**	6,557
(Shareholder)	Bank balance of takaful operations	--	--	12,074	11,207
	Bank balance of shareholders' operations	--	--	637	37,832
	Cash and bank balances	--	--	**12,711**	49,039

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

21- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINED)

Al Rajhi Capital					
(Entity significantly	Available for sale investments of				
influenced by related	takaful operations	--	--	30,216	--
parties)	Available for sale investments of				
	shareholders' operations	--		--	58,646
		--	--	30,216	58,646
Al Rajhi Capital	Income received from sale of investment				
(Entity significantly	in Al Rajhi Capital commodity fund of				
influenced by related	takaful operation	274	--	--	--
parties)	Income received from sale of investment in Al Rajhi Capital commodity fund of				
	shareholders operation	1,567	1,797	--	--
		1,841	1,797	--	--
Al Rajhi Bank	Investment in equity securities classified				
(shareholder)	as investments at FVIS	--	--	4,660	3,851
Al Rajhi Takaful Agency	Commissions	1,221	--	(194)	--
(ARTA)					

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 period ended is as follows:

	Year ended 31 December 2011 SR'000	19 month period ended 31 December 2010 SR'000
Salaries and benefits of key management personnel	**6,416**	11,299
Shariah's committee remuneration	**212**	1,269
	6,628	12,568

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

22 - RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to takaful, re-takaful, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.
The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Takaful risk

The risk under an takaful contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of takaful liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of takaful contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of re-takaful arrangements.

Significant portion of re-takaful business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from re-takaful are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the financial position as re-takaful assets.
Although the Company has re-takaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to re-takaful ceded, to the extent that any re-takaful is unable to meet its obligations assumed under such re-takaful arrangements.

The takaful claim liabilities are sensitive to the various assumptions mentioned in note 4. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.
A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

As this is the second year of operations of the Company it is not practical to present a claims development table for these classes of business.

22 RISK MANAGEMENT (CONTINUED)

b) Re-takaful risk

In order to minimize its financial exposure to potential losses arising from large claims the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the re-takaful is effected under treaty, facultative and excess-of-loss re-takaful contracts.

c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

d) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2011. As at 31 December 2011,Company do not have any floating rate financial instruments.

e) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has investment in the units of commodity fund managed by a related party. The Company limits fund price risk by monitoring of developments in fund markets. A 5% change in the net asset value of funds, with all other variables held constant, would impact the shareholders' equity by increase/ decrease

of Nil (2010 SR 4,009 thousand) and fair value reserve on investments under takaful operations by increase/decrease by SR 1,511 thousand (2010 Nil).

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

22 -RISK MANAGEMENT (CONTINUED)

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its re-takaful counterparties. Accordingly, as a pre-requisite, the parties with whom re-takaful is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into takaful and re-takaful contracts with recognized credit ratings of Reinsurers of BBB by Standards and Poor's (S&P) or equivalent. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and re-takaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investment risk appetite is low as the return is required to meet future liabilities arising from the Company's takaful business. The investments are held in a high quality, fixed income portfolio and are intended to be held until maturity.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2011	
	Takaful Operations SR'000	Shareholders Operations SR'000
Contributions receivable, net	61,482	--
Re-takaful share of outstanding claims	43,976	--
Investment held to maturity	7,000	197,175
	112,458	**197,175**

	2010	
	Takaful Operations SR'000	Shareholders Operations SR'000
Contributions receivable, net	35,581	--
Re-takaful share of outstanding claims	14,852	--
Investment held to maturity	--	28,000
	50,433	28,000

22- RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

The analysis of the credit ratings of the investment portfolio is as follows:

	2011	
	Takaful Operations SR'000	Shareholders Operations SR'000
S & P (A-)	7,000	95,000
Fitch (A+)	--	102,175
	7,000	**197,175**

	2010	
	Takaful Operations SR'000	Shareholders Operations SR'000
Not rated	--	28,000
	--	28,000

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing difference between gross cash out-flow and expected re-takaful recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophic excess-of-loss re-takaful contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

22 RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

Maturity Profiles

The table below summarizes the maturity profile of the assets and liabilities of the Company based on remaining expected contractual obligations. For takaful contract liabilities and re-takaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.

	31 December 2011					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
ASSETS						
Contributions receivable	55,355	6,127	61,482	--	--	--
Re-takaful share of outstanding claims	43,976	--	43,976	--	--	--
Re-takaful share of unearned						
contributions	71,758	1,587	73,345	--	--	--
Amount due from insurers and						
Others	17,256	--	17,256	--	--	--
Due from shareholders' operations	121,421	75,401	196,822	--	--	--
Deferred policy acquisition costs	13,399	--	13,399	--	--	--
Property and equipment, net	--	--	--	6,516	8,524	15,040
Due from related parties	--	--	--	179	778	957
Statutory deposit	--	--	--	--	20,000	20,000
Wakala fees receivable	--	--	--	35,620	--	35,620
Available for sale investments	30,216	--	30,216	--	2,223	2,223
Investment at FVIS	--	--	--	9,601	21,524	31,125
Investments held to maturity	7,000	--	7,000	197,175	--	197,175
Advances, prepayments and other assets	--	--	--	19,793	--	19,793
Cash and bank balances	48,950	--	48,950	1,211	--	1,211
TOTAL ASSETS	**409,331**	**83,115**	**492,446**	**270,095**	**53,049**	**323,144**

22-RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

Maturity Profiles (continued)

	31 December 2010					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
ASSETS						
Contributions receivable	35,581	--	35,581	--	--	
Re-takaful share of outstanding claims	14,852	--	14,852	--	--	
Re-takaful share of unearned	38,103	--	38,103	--	--	
contributions						
Amount due from insurers and	5,621	--	5,621	--	--	
Others	75,401	--	75,401	--	--	
Due from shareholders' operations	2,652	--	2,652	--	--	
Deferred policy acquisition costs	--	--	--	10,768	--	10,768
Property and equipment, net	--	--	--	778	--	778
Due from related parties	--	--	--	--	20,000	20,000
Statutory deposit	--	--	--	58,647	2,223	60,870
Available for sale investments	--	--	--		21,524	21,524
Investment at FVIS	--	--	--	28,000	--	28,000
Investments held to maturity	--	--	--	7,337	--	7,337
Advances, prepayments and other assets	34,461	--	34,461	82,979	--	82,979
Cash and bank balances						
TOTAL ASSETS	**206,671**	--	**206,671**	**188,509**	**43,747**	**232,256**

22-RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

Maturity Profiles (continued)

	31 December 2011					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	100,240	--	100,240	--	--	--
Unearned contributions	235,187	2,265	237,452	--	--	--
Unearned commission income	5,525		5,525	--	--	--
Wakala Fees Payable	35,620	--	35,620	--	--	--
Re-takaful balances payable, net	85,925		85,925			
Payables, accruals and others	27,606	--	27,606	12,717	--	12,717
Due to takaful operations	--	--	--	121,421	75,401	196,822
Employees' end of service benefits	--	--	--	--	2,410	2,410
Provision for Zakat	--	--	--	929	930	1,859
TOTAL LIABILITIES	**490,103**	**2,265**	**492,368**	**135,067**	**78,741**	**213,808**

	31 December 2010					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	28,304	--	28,304	--	--	--
Unearned contributions	126,839	--	126,839	--	--	--
Unearned commission income	2,000	--	2,000	--	--	--
Re-takaful balances payable, net	41,872	--	41,872	--	--	--
Payables, accruals and others	7,656	--	7,656	8,468	--	8,468
Due to takaful operations	--	--	--	75,401	--	75,401
Employees' end of service benefits	--	--	--	--	1,243	1,243
Provision for Zakat	--	--	--	3,757	--	3,757
TOTAL LIABILITIES	**206,671**	--	**206,671**	**87,626**	**1,243**	**88,869**

Liquidity profile

None of the liabilities on the statement of financial position are based on discounted cash flows and are payable on a current basis within 1 year.

22 RISK MANAGEMENT (CONTINUED)

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SR 100 million

Premium Solvency Margin

Claims Solvency Margin

Being the second year of operation the Company is required to follow only Premium Solvency Margin method.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

i) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, contribution receivables, investments and accrued income and its financial liabilities consist of payables and accrued expenses and gross outstanding claims.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

j) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the takaful companies and to enable them to meet unforeseen liabilities as these arise.

23 -SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities.

	General SR'000	Motor SR'000	Health SR'000	Total SR'000
For the year ended 31 December 2011				
Gross contributions written	58,000	233,827	201,517	493,344
Re-takaful contributions ceded	(46,975)	(1,481)	(98,222)	(146,678)
Net contribution written	11,025	232,346	103,295	346,666
Excess of loss expenses	(607)	(1,254)	--	(1,861)
Change in unearned contributions, net	(2,671)	(47,199)	(25,501)	(75,371)
Net contribution earned	7,747	183,893	77,794	269,434
Fee and commission income	7,536	446	750	8,732
Underwriting revenue	15,283	184,339	78,544	278,166
Gross claims paid	(9,049)	(142,711)	(62,333)	(214,093)
Re-takaful share of claims paid	6,437	657	43,723	50,817
Net claims paid	(2,612)	(142,054)	(18,610)	(163,276)
Change in gross outstanding claims, net	(833)	(14,051)	(13,564)	(28,448)
Net claims incurred	(3,445)	(156,105)	(32,174)	(191,724)
Inspection & Supervision fees	(283)	(1,168)	(3,027)	(4,478)
Policy acquisition cost	(4,261)	(4,543)	(9,668)	(18,472)
Other expenses	(1,006)	(4,056)	(3,495)	(8,557)
Total claims and other expenses	(8,995)	(165,872)	(48,364)	(223,231)
Underwriting surplus for the period	6,288	18,467	30,180	54,935
Wakala fees	(22,648)	(93,448)	(60,534)	(176,630)
	(16,360)	(74,981)	(30,354)	(121,695)
Investment income				365
Mudarib's share of investment income				(91)
Deficit for the period				**(121,421)**

23-SEGMENTAL INFORMATION (CONTINUED)

	General SR'000	Motor SR'000	Health SR'000	Total SR'000
From 1 June 2009 to 31 December 2010				
Gross written contribution	28,300	118,371	83,193	229,864
Re-takaful contributions ceded	(20,596)	(1,169)	(46,223)	(67,988)
Net contribution written	**7,704**	**117,202**	**36,970**	**161,876**
Excess of loss expenses	(727)	(970)	--	(1,697)
Change in unearned contributions, net	(3,267)	(61,357)	(24,112)	(88,736)
Net contribution earned	**3,710**	**54,875**	**12,858**	**71,443**
Fees and commission income	3,945	171	4,257	8,373
Underwriting revenue	7,655	55,046	17,115	79,816
Gross claims paid	(1,260)	(32,807)	(9,656)	(43,723)
Re-takaful share of claims paid	850	60	6,759	7,669
Net claims paid	**(410)**	**(32,747)**	**(2,897)**	**(36,054)**
Change in gross outstanding claims, net	(1,808)	(2,686)	(3,338)	(7,832)
Net claims incurred	(2,218)	(35,433)	(6,235)	(43,886)
Inspection & Supervision fees	(142)	(592)	(1,397)	(2,131)
Policy acquisition cost	(2,414)	(508)	(514)	(3,436)
Other expenses	(347)	(1,191)	(798)	(2,336)
Total claims and other expenses	**(5,121)**	**(37,724)**	**(8,944)**	**(51,789)**
Underwriting surplus for the period				
Wakala fees	2,534	17,322	8,171	28,027
Investment income	(12,735)	(53,267)	(37,437)	(103,439)
Deficit for the period	**(10,201)**	**(35,945)**	**(29,266)**	**(75,412)**
				11
				(75,401)

23-SEGMENTAL INFORMATION (CONTINUED)

	General SR'000	Motor SR'000	Health SR'000	Total SR'000
As at 31 December 2011				
Takaful operations' assets	10,083	1,190	32,703	43,976
Re-takaful share of outstanding claims	25,477	692	47,176	73,345
Re-takaful share of unearned contributions	1,341	3,622	8,436	13,399
Deferred policy acquisition cost	--	5,050	--	5,050
Deposit against letter of guarantee				43,900
Cash and bank balances				312,776
Unallocated assets				492,446
Total Assets				
Takaful operations' liabilities				
Outstanding claims	12,723	37,912	49,605	100,240
Unearned contributions	31,415	109,249	96,789	237,453
Unearned commission income	5,328	197	--	5,525
Unallocated liabilities				149,228
Total liabilities				**492,446**
As at 31 December 2010				
Takaful operations' assets				
Re-takaful share of outstanding claims	7,010	53	7,789	14,852
Re-takaful share of unearned contributions	7,345	612	30,146	38,103
Deferred policy acquisition cost	1,131	558	963	2,652
Deposit against letter of guarantee	--	5,250	--	5,250
Cash and bank balances				29,211
Unallocated assets				116,603
Total Assets				206,671
Takaful operations' liabilities				
Outstanding claims	8,817	8,360	11,127	28,304
Unearned contributions	10,611	61,970	54,258	126,839
Unearned commission income	1,834	166	--	2,000
Unallocated liabilities				49,528
Total liabilities				206,671

24-RECLASSIFICATION OF COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform with current year presentation, however the impact of these classification was not significant on the financial statements as a whole.

25-APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 26 Rabi Awal 1433H, corresponding to 18th February 2012.

تكافل الراجحي
Al Rajhi Takaful

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

FINANCIAL STATEMENTS

TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	6	50,413	48,950
Amount due from related parties	19	-	634
Due from shareholders' operations		202,867	196,822
Contributions receivable, net	5	111,296	61,482
Available for sale investment	9(i)(b)	30,200	30,216
Re-takaful share of outstanding claims	11(a)	40,898	43,976
Investments held to maturity	9(i)(c)	-	7,000
Advances and other assets		-	6,622
Re-takaful share of unearned contributions	12(c)	76,239	73,345
Deferred policy acquisition costs	12(a)	10,876	13,399
TOTAL TAKAFUL OPERATIONS' ASSETS		**522,789**	**482,446**
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balances and cash	6	109,740	1,211
Amount due from related parties	19	1,274	957
Management fees receivable		18,866	35,620
Investments at fair value through income statement	9(ii)(c)	31,918	31,125
Available for sale investments	9(ii)(b)	2,572	2,223
Investments held to maturity	9(ii)(d)	112,710	197,175
Advances, prepayments and other assets	10	11,409	19,793
Statutory deposit	8	20,000	20,000
Property and equipment, net	7	17,415	15,040
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		**325,904**	323,144
TOTAL ASSETS		**848,693**	805,590

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims	11(a)	119,263	90,240
Amount due to related parties	19	927	-
Management fees payable		18,866	35,620
Payables, accruals and other liabilities	13	30,597	27,606
Re-takaful balances payable		66,500	85,925
Gross unearned contributions	12(c)	280,565	237,452
Unearned re-takaful commission income	12(b)	5,967	5,525
TAKAFUL OPERATIONS' SURPLUS		522,685	482,368
Fair value reserve for AFS investments	9(i)(b)	**104**	78
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		**522,789**	482,446
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY			
SHAREHOLDERS' OPERATIONS' LIABILITIES			
Provision for Zakat	14	1,368	1,859
Payables, accruals and other liabilities	13	9,455	12,717
Due to takaful operations		202,867	196,822
Employees' end of service benefits		3,455	2,410
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES		**217,145**	213,808
SHAREHOLDERS' EQUITY			
Share capital	15	200,000	200,000
Accumulated losses		(91,241)	(90,664)
TOTAL SHAREHOLDERS' EQUITY		**108,759**	109,336
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**325,904**	323,144
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**848,693**	805,590

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
Gross contributions written	12(c)	600,864	493,344
Re-takaful contributions ceded	12(c)	(151,072)	(146,678)
Excess of loss		(3,489)	(1,861)
NET CONTRIBUTIONS WRITTEN		**446,303**	344,805
Change in unearned contributions, net		(40,219)	(75,371)
NET CONTRIBUTIONS EARNED		406,084	269,434
Policy fees and other income		1,284	902
Re-takaful commission income	12(b)	12,960	7,830
TOTAL UNDERWRITING REVENUE		**420,328**	278,166
Gross claims paid	11(a)	(374,024)	(214,093)
Re-takaful share of claims paid	11(a)	89,984	50,817
NET CLAIMS PAID		**(284,040)**	(163,276)
Movement in outstanding claims, net		(32,101)	(28,448)
NET CLAIMS INCURRED		**(316,141)**	(191,724)
Inspection and supervision fees		(3,916)	(4,478)
Policy acquisition costs	12 (a)	(26,482)	(18,472)
Allowance for doubtful receivables	5	(2,052)	(8,532)
Other expenses		(26)	(25)
TOTAL CLAIMS AND OTHER EXPENSES		**(348,617)**	(223,231)
NET UNDERWRITING SURPLUS		71,711	54,935
Investment income		670	365
Management fee		(72,381)	(176,721)
Net deficit for the year		-	(121,421)
Net deficit transferred to Shareholders' Operations		-	121,421
NET RESULT FOR THE YEAR		-	-

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
Net result for the year		-	-
Other comprehensive income			
Net change in fair value of AFS investments	9(i)(b)	104	78
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**104**	78

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
REVENUE			
Management fee		72,381	176,721
Dividend income		2,103	974
Net gain/(loss) on investments at FVIS	9(ii)(c)	2,433	(281)
Realized gain on sale of AFS investments		473	1,797
Special commission income on investments held to maturity		4,234	1,812
TOTAL REVENUE		81,624	181,023
General and administrative expenses	17	(80,839)	(91,577)
Net deficit transferred from Takaful Operations		-	(121,421)
INCOME/(LOSS) BEFORE ZAKAT		785	(31,975)
Provision for Zakat		(1,362)	(930)
NET LOSS FOR THE YEAR	14(b)	(577)	(32,905)
BASIC AND DILUTED LOSS PER SHARE (SR)	18	**(0.03)**	(1.65)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	2012 SR'000	2011 SR'000
Net loss for the year	(577)	(32,905)
Other comprehensive loss		
Net change in fair value of AFS investments	-	(1,145)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(577)**	(34,050)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Share capital SR'000	Accumulated losses SR'000	Fair value reserve for AFS investments SR'000	Total SR'000
Balance as at 1 January 2011	200,000	(57,759)	1,145	143,386
Net loss for the year	-	(32,905)	-	(32,905)
Other comprehensive loss	-	-	(1,145)	(1,145)
Total comprehensive loss for the year	-	(32,905)	(1,145)	(34,050)
Balance as at 31 December 2011	**200,000**	**(90,664)**	-	**109,336**
Net loss for the year	-	(577)	-	(577)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	(577)	-	(577)
Balance as at 31 December 2012	**200,000**	**(91,241)**	-	**108,759**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net result for the year		-	-
Adjustments for:			
Allowance for doubtful receivables	5	2,052	8,532
Realized gain on sale of available for sale investments		(78)	-
Net surplus before changes in operating assets and liabilities		**1,974**	8,532
Changes in operating assets and liabilities:			
Amount due from related parties		1,561	-
Due from shareholders' operations		(6,045)	(121,421)
Contributions receivable		(51,866)	(34,433)
Re-takaful share of outstanding claims		3,078	(29,124)
Advances and other assets		6,622	(11,635)
Re-takaful share of unearned contributions		(2,894)	(35,242)
Deferred policy acquisition costs		2,523	(10,747)
Gross outstanding claims		29,023	71,936
Management fee payable		(16,754)	35,620
Payables, accruals and other liabilities		2,991	19,950
Re-takaful balances payable		(19,425)	44,053
Deposit against letters of guarantee		(3,478)	200
Gross unearned contributions		43,113	110,613
Unearned commission income		442	3,525
Net cash (used in) / from operating activities		(9,135)	51,827
INVESTING ACTIVITIES			
Maturities / (purchase) of investments held to maturity	9(i)(c)	7,000	(7,000)
Purchase of available for sale investments	9(i)(b)	(195,000)	(130,000)
Sale of available for sale investments	9(i)(b)	195,120	99,862
Net cash from / (used in) investing activities		7,120	(37,138)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(2,015)	14,689
Cash and cash equivalents at the beginning of year		43,900	29,211
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	41,885	43,900
Non - cash supplemental information:		104	78
Change in fair value of available for sale investments			

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net loss for the year		(577)	(32,905)
Adjustments for:			
Depreciation		5,415	3,290
Provision for zakat		1,362	930
Employees' end of service benefits		1,045	1,167
Net (gain) / loss on investments at fair value through income statement		(2,433)	281
Net surplus / (deficit) before changes in operating assets and liabilities		4,812	(27,237)
Changes in operating assets and liabilities:			
Due from related parties		(317)	(179)
Management fee receivable		16,754	(35,620)
Advances, prepayments and other assets		8,384	(12,456)
Payables, accruals and other liabilities		(3,262)	4,249
Due to takaful operations		6,045	121,421
Zakat paid		32,416	50,178
Net cash from operating activities	14(b)	(1,853)	(2,828)
INVESTING ACTIVITIES		**30,563**	47,350
Purchase of property and equipment, net		(7,790)	(7,562)
Purchase of available for sale investments	9(ii)(b)	(122,700)	57,502
Sale of available for sale investments	9(ii)(b)	122,351	(9,883)
Purchase of investments at fair value through income statement	9(ii)(c)	(15,919)	
Sale of investments at fair value through income statement	9(ii)(c)	17,559	28,000
Maturities of investments held to maturity	9(ii)(d)	197,175	(197,175)
Purchase of investments held to maturity	9(ii)(d)	(112,710)	(129,118)
Net cash from / (used in) investing activities		**77,966**	
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**108,529**	(81,768)
Cash and cash equivalents at beginning of the year		1,211	82,979
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**109,740**	1,211
Non-cash supplemental information:			
Changes in fair value of available for sale investments		-	(1,145)

NOTES TO FINANCIAL STATEMENTS
For year ended 31 December 2012

1 ORGANIZATION 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 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 to17 November 2009), the Company received its license from Saudi Arabian Monetary Agency (SAMA) to transact cooperative insurance business in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market ("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 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.

b) Statement of compliance

The Company has prepared these 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. Assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in their respective books. Common expenses are allocated to the operations consistently on the basis determined and approved 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:
IFRS 7 Financial Instruments: Disclosures (amendment)

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognised in their entirety'and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs and to the following standard did not have any impact on the accounting policies, financial position or performance of the Company:

The significant accounting policies adopted are as follows:

Takaful contracts

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Once a contract has been classified as a takaful contract, it remains a takaful contract till its maturity, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Re-takaful

Re-takaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful contracts held are recognized as re-takaful assets. These assets consist of the re-takaful share of settlement of claims and other receivables such as profit commissions and the re-takaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful contracts. Amounts recoverable from or due to re-takaful companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each re-takaful contract

At each reporting date, the Company assesses whether there is any indication that a re-takaful asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of a re-takaful asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income - takaful operations.

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income - takaful operations in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims Incurred But Not Reported ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income - takaful operations.

The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Deferred policy acquisition costs (DPAC)

Commissions and other costs of acquiring takaful contracts that are primarily related to securing new contracts and

renewing existing contracts are capitalized as an intangible asset and are subsequently amortized over the life of the contract on a basis consistent with the term of the related policy coverage

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment charge in the Statement of Income - Takaful Operations. DPAC is also considered in the liability adequacy test for each reporting period.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs, using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the Statement of Income - Takaful Operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests under premium deficiency reserves.

Income recognition

The underwriting surplus represents contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts reinsured, less provision for any anticipated future losses on continuing policies.

Fees and commission income

Fees and commission income represents management fees charged to clients for policy documentation and claim management charges that are recovered from policyholders.

Management fee

Management fee from Takaful Operations are recognized by shareholders' operations when earned in accordance with the takaful agreements approved by the Shariah Supervisory Board and the Board of Directors.

Re-takaful commission income

Re-takaful commissions are deferred and amortized on a straight-line basis over the term of the takaful contracts. Re-takaful profit commission is recognized as the basis of terms agreed with reinsurers which include claim or loss ratios on policies ceded.

Other income

Dividend income is recognized when the right to receive payment is established.

Interest income on investments is recognised on the effective interest rate method.

Contribution receivables

Contribution receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of contributions receivable is reviewed for impairment

whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Income - Takaful Operations. Contribution receivables are derecognized when the de-recognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following period is included in the underwriting result for that period.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and murabaha deposits with an original maturity of three months or less from the acquisition date.

Investments

The accounting policies for each of the classification of investments are as follows

Available-for-sale investments (AFS)

Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates.

Available for sale investment securities are initially recognized at fair value, including acquisition charges associated with the investment. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in statement of comprehensive income and presented in the fair value reserve in equity for AFS investments of shareholders and under Takaful operations surplus/liabilities for Takaful operations. When an investment is derecognised, the gain or loss is reclassified to statement of income. For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security.

Investment held to maturity:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

Held-to-maturity investments are recorded at cost, adjusted by the amount of amortization of premium or accretion of discount using the effective interest method.

Any permanent decline in value of investments is adjusted for and reported in the related Statements of Income as impairment charges.

Investments at fair value through income statement (FVIS)

A financial asset is classified as at fair value through income statement if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs

are recognized in statement of income as incurred.

After initial recognition, investments at FVIS are measured at fair value and any change in the fair value is recognized in the Statement of Income for the period in which it arises. Special commission income and dividend income received on financial assets held as FVIS are reflected as income from investment held as FVIS in the Statement of Income.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

De-recognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / de-recognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If

quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

For discounted cash flow analysis, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for a similar instrument.

Impairment of other financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets (including contribution receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is the significant or prolonged decline in the fair value from the cost.

Impairment of other financial assets (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

i. Significant financial difficulty of the issuer or debtor;

ii. A breach of contract, such as a default or delinquency in payments;

iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

iv. The disappearance of an active market for that financial asset because of financial difficulties; or

v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

– adverse changes in the payment status of issuers or debtors in the Company; or

– national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

Impairment of non financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the "Statement of Income – Shareholders' Operations" on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Years
Office and electrical equipment	5
Furniture and fixtures	6 - 7
Motor vehicles	5
Computer hardware and software	3

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of income of Shareholders' Operations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Re-takaful balance payable

Re-takaful balances payable comprise of the amounts payable to various reinsurance companies in respect of re-takaful share of contributions, net of paid claims and commission income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by Saudi Arabian Labour Law.

Zakat and income taxes

The Company is subject to zakat in accordance with the regulation. Zakat is accrued and charged to the statement of income - shareholders' operations.

Contributions earned / Unearned contributions

Contributions are taken into income over the terms of the policies to which they relate. A proportion of net retained contributions is provided to cover portions of risk which have not expired at the reporting date. The Company's policy is to provide for unearned contributions as 90 days method for marine cargo business and 124/th method calculation for other lines of business.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other segments, whose operating results are reviewed regularly by the management committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company is organised into business units based on their products and services and has three operating and reportable segments as follows:

- General
- Motor
- Health

Operating segments do not include shareholders' operations.

Segment performance is evaluated based on segment profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. Company financing is managed for the Company as a whole and are not allocated to individual operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

Segment assets do not include takaful operations' cash and cash equivalents, due from shareholders' operations, net contributions receivable, advances and other assets, available for sale investments, investments held to maturity and amounts due from related parties. Accordingly they are included in unallocated assets..

Segment liabilities do not include payables accruals and others, amount due to related party, 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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income - takaful operations, except when they relate to items where gains or losses are recognized directly in comprehensive income and the gain or loss is recognized net of the exchange component in equity.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Management (Wakala) fee

The management fee model for motor and general (40% of gross written premium), health (30% of gross written premium) lines of business was based on a fixed charge on gross written contribution upto 31 December 2011. From 1 January 2012, the Company has amended the model by charging 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%. Also, the Company limits the management fee charge to the extent of surplus available in Statement of income of takaful operations.

Mudarib fee

During 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.

New amendments and standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Company does not plan to adopt these standards early:

(a) IFRS 9 Financial Instruments (2010)

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 is expected to have an impact on the Company's financial assets, but not any impact on the Company's financial liabilities.

(b) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Company is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

New amendments and standards issued but not yet effective (continued)

(c) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities

Disclosures - offsetting of financial assets and liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangement on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Company will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

Offsetting of financial assets and financial liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

Based on its initial assessment, the Company is not expecting a significant impact from the adoption of the amendments to IAS 32. However, the adoption of the amendment to IFRS 7 requires more extensive disclosures about rights of set-off.

(d) Improvements to IFRSs 2011 - IAS 1 Presentation of Financial Statements

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in shareholders' equity or in the notes.

New amendments and standards issued but not yet effective (continued)

(e) Improvements to IFRSs 2011 – IFRS 7 Financial Instruments: Disclosures

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.

(f) Improvements to IFRSs 2011 – IAS 34 Interim Financial Reporting

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

Other amendments resulting in improvements to the following standard did not have any material impact on the accounting policies, financial position and performance of the Company:

The new standards, amendments to standards and interpretations to International Financial Reporting Standards which are mandatory for the first time for the financial year beginning 1 January 2012 did not result in material amendments to the presentation and disclosure of the accompanying financial statements.

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.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Details of the specific estimate and judgments made by management are given below:

The ultimate liability arising from claims made under takaful contracts

The estimation of the ultimate liability arising from claims made under takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of 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, which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting 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 company also used the services of an actuary to ensure adequacy of its claim reserves.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims on a quarterly basis.

The ultimate liability arising from claims made under takaful contracts (continued)

The Company is exposed to disputes with, and possibility of defaults by its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Liabilities arising under general, motor and health takaful contracts are independently reviewed and certified by an external actuary semi-anually.

Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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.

Deferred policy acquisition costs ("DPAC")

Certain acquisition costs related to writing or renewal of policies are recorded as DPAC and are amortised in the statement of income - takaful operations over the related period of policy coverage in the same manner that policy contributions are recognised. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income - takaful operations.

Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For year ended 31 December 2012

5 CONTRIBUTIONS RECEIVABLE, NET

	2012 SR'000	2011 SR'000
Due from policyholders		
- External policyholders	**52,297**	43,720
- Related parties	71,775	28,486
Gross contributions receivables	**124,072**	**72,206**
Allowance for doubtful receivables	**(12,776)**	**(10,724)**
	111,296	**61,482**

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

	2012 SR'000	2011 SR'000
As at 1 January	**10,724**	2,192
Charge for the year	**2,052**	8,532
As at 31 December	**12,776**	**10,724**

As at 31 December 2012, the ageing of contributions receivable balances is as follows:

	Total SR'000	Not yet due SR'000	Neigher past due nor impaired SR'000	Pust due and impaired		
				91 to 180 days SR'000	18 to 365 days SR'000	Above 365 days SR'000
As at 31 December 2012	124,072	37,308	57,635	7,503	9,138	12,488
As at 31 December 2011	72,206	16,595	21,415	8,886	19,183	6,127

The Company classifies balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of income - takaful operations. It is not the practice of the Company to obtain collateral over receivables and these are therefore, unsecured. The Company does not have an internal credit ratings assessment process. Amounts which are neither past due nor impaired, in respect of policyholders' balances, are from individuals and unrated corporates.

The five largest customers account for 56% of outstanding accounts receivable as at December 31, 2012 (2011: 32%).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2012

6 BANK BALANCES AND CASH

	2012 SR'000		2011 SR'000	
	Takaful Operations	Shareholders Operations	Takaful Operations	Shareholders Operations
Cash in hand and at banks	**41,885**	**59,740**	13,247	1,211
Murabaha deposits	**-**	**50,000**	30,653	--
Cash and cash equivalents in the statements of cash flows	**41,885**	**109,740**	43,900	1,211
Deposit against letters of Guarantee* (note 16)	**8,528**	-	5,050	--
	50,413	**109,740**	48,950	1,211

Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on murabaha deposits at 31 December 2012 is ¬¬¬2.24% per annum (2011- 1.41% per annum).

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

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

* Deposits against letters of guarantee comprises amounts placed with a local bank against issuance of payment guarantees in favor of the Company's service providers (note 16). As these cannot be withdrawn before the end of guarantee period, these are restricted in nature.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2012

7 PROPERTY AND EQUIPMENT

	Office & electrical equipments SR'000	Furniture & fixtures SR'000	Motor Vehicles SR'000	Computer software SR'000	Computer Hardware SR'000	Total 2012 SR'000
Cost:						
Balance at 1 January 2011	816	8,401	391	750	2,320	12,678
Additions during the year	762	4,867	190	261	1,482	7,562
Balance at 31 December 2011	1,578	13,268	581	1,011	3,802	20,240
Balance at 1 January 2012	**1,578**	**13,268**	**581**	**1,011**	**3,802**	**20,240**
Additions during the year	**342**	**86**	-	**6,442**	**933**	**7,803**
Disposals during the year	**(23)**	**-**	-	**-**	**-**	**(23)**
Balance at 31 December 2012	**1,897**	**13,354**	**581**	**7,453**	**4,735**	**28,020**
Accumulated depreciation:						
Balance at 1 January 2011	127	969	77	144	593	1,910
Charge for the year (note 17)	267	1,676	85	185	1,077	3,290
Balance at 31 December 2011	394	2,645	162	329	1,670	5,200
Balance at 1 January 2012	**394**	**2,645**	**162**	**329**	**1,670**	**5,200**
Charge for the year (note 17)	**341**	**1,999**	**116**	**1,491**	**1,468**	**5,415**
Disposals during the year	**(10)**	**-**	**-**	**-**	**-**	**(10)**
Balance at 31 December 2012	**725**	**4,644**	**278**	**1,820**	**3,138**	**10,605**
Net book value as at						
31 December 2012	**1,172**	**8,710**	**303**	**5,633**	**1,597**	**17,415**
31 December 2011	1,184	10,623	419	682	2,132	15,040

8 STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia Monetary Agency (SAMA).

This statutory deposit cannot be withdrawn without the consent of SAMA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2012

9 INVESTMENTS

i) Takaful operations:

a) Investments comprise of available-for-sale ("AFS") and held to maturity investments. An analysis of investments is set out below:

	2012 SR'000	2011 SR'000
Available for sale investment – (level – 2)		
Investment in Al Rajhi Capital Commodity Mudarabah Fund	30,200	**30,216**
Held to maturity investments – unquoted Murabaha deposits	-	**7,000**
Total Investments – Takaful operations	**30,200**	**37,216**

b) The movements in AFS investments were as follows:

	2012 SR'000	2011 SR'000
As at 1 January	**30,216**	-
Purchased during the year	**195,000**	130,000
Sold during the year	**(195,120)**	(99,862)
Net change in fair values	**104**	78
As at 31 December	**30,200**	30,216

c) The movements in held to maturity investments were as follows:

	2012 SR'000	2011 SR'000
As at 1 January		
Purchased during the year	**7,000**	-
Matured during the year	**-**	7,000
As at 31 December	**(7,000)**	-
	-	7,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2012

ii) Shareholders' operations:

a) Investments comprise of AFS and Fair value through income statement ("FVIS") investments. An analysis of investments is set out below:

	2012 SR'000	2011 SR'000
AFS investment – (level – 2)		
Investment in Al Rajhi Capital Commodity Mudarabah Fund	**149**	**-**
AFS investment –unquoted- (level – 3)		
Najm Insurance Services Co. (note 9(ii)(e))	**2,423**	**2,223**
	2,572	**2,223**
Investments at FVIS (Saudi Company Equities) (level – 1)	**31,918**	**31,125**
Investments held to maturity – unquoted Murabaha deposits	**112,710**	**197,175**
Total investments – Shareholders' operations	**147,200**	**230,523**

b) The movements in the AFS investments were as follows:

	2012 SR'000	2011 SR'000
As at 1 January	**2,223**	60,870
Purchased during the year	**122,700**	173,000
Sold during the year	**(122,351)**	(231,647)
As at 31 December	**2,572**	2,223

c) The movements in FVIS investments were as follows:

	2012 SR'000	2011 SR'000
As at 1 January	**31,125**	21,523
Purchased during the year	**15,919**	9,883
Disposal during the year	**(17,559)**	-
Net change in fair values	**2,433**	(281)
As at 31 December	**31,918**	31,125

d) The movements in held to maturity investments unquoted securities were as follows:

	2012 SR'000	2011 SR'000
As at 1 January	**197,175**	28,000
Purchased during the year	**112,710**	197,175
Maturities during the year	**(197,175)**	(28,000)
As at 31 December	**112,710**	197,175

Investment in 'Najm Insurance Services Company' represents a 4.55% equity holding in that Company. As the fair value is not readily available, this investment has been carried at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

e) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2011

10 ADVANCES, PREPAYMENTS AND OTHER ASSETS

	2012 SR'000	2011 SR'000
Shareholders' Operations		
Advances to suppliers	**6,770**	12,087
Prepayments:		
- Rent	**1,355**	1,696
- Others	**2,412**	4,723
Accrued profits on murabaha deposits	**740**	1,245
Deposits	**132**	42
	11,409	19,793

11 OUTSTANDING CLAIMS

Outstanding claims at year end are as follows:

	2012			2011		
	Cross SR'000	Reinsurers' share	Net SR'000	Cross SR'000	Reinsurers' share	Net SR'000
Outstanding at 31 December	**79,200**	**(20,735)**	**58,465**	53,406	(27,186)	26,220
IBNR	**40,063**	**(20,163)**	**19,900**	36,834	(16,790)	20,044
	119,263	**(40,898)**	**78,365**	90,240	(43,976)	46,264
Claims paid during the year	**(374,024)**	**89,984**	**(284,040)**	(214,093)	50,817	(163,276)
Outstanding at 1 January	**53,406**	**(27,186)**	**26,220**	20,446	(9,437)	11,009
IBNR	**36,834**	**(16,790)**	**20,044**	12,222	(5,415)	6,807
	90,240	**(43,976)**	**46,264**	32,668	(14,852)	17,816
Claims incurred	**(403,047)**	**86,906**	**(316,141)**	(276,029)	79,941	(191,724)

Claims development

The Company commenced its operations on 17 January 2010. Accordingly, management believes that the disclosure of a claims development table would not be meaningful at this stage.

12 MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION I NCOME AND UNEARNED CONTRIBUTION INCOME

a) Deferred policy acquisition costs

	2012 SR'000	2011 SR'000
As at 1 January	**13,399**	2,652
Incurred during the year	**23,959**	29,219
Amortized during the year	**(26,482)**	(18,472)
As at 31 December	**10,876**	13,399

b) Movement in unearned re-takaful commission income

	2012 SR'000	2011 SR'000
As at 1 January	**5,525**	2,000
Received during the year	**13,402**	11,355
Earned during the year	**(12,960)**	(7,830)
As at 31 December	**5,967**	5,525

c) Movement in unearned contributions

	2012			2011		
	Cross SR'000	Reinsurers' share	Net SR'000	Cross SR'000	Reinsurers' share	Net SR'000
As at 1 January	**237,452**	**(73,345)**	**164,107**	126,839	(38,103)	88,736
Contributions written during the year	**600,864**	**(151,072)**	**449,792**	493,344	(146,678)	346,666
Contributions earned during the year	**(557,751)**	**148,178**	**(409,573)**	(382,731)	111,436	(271,295)
As at 31 December	**280,565**	**(76,239)**	**204,326**	237,452	(73,345)	164,107

13 PAYABLES, ACCRUALS AND OTHERS

	2012 SR'000	
	Takaful Operations	Shareholders Operations
Accounts payable and others	21,347	21,347
Accrued expenses	9,250	9,250
	30,597	30,597

	2011 SR'000	
	Takaful Operations	Shareholders Operations
Accounts payable and others	22,313	10,306
Accrued expenses	5,293	2,411
	27,606	12,717

14 PROVISION FOR ZAKAT

a) The zakat charge for the year has been computed as follows:

	2012 SR'000	2011 SR'000
Equity	109,336	142,241
Opening allowances and other adjustments	2,410	1,243
Book value of long term assets	(71,757)	(68,388)
Zakatable income (loss) for the year	39,989	75,096
	14,760	(22,276)
Zakat base	54,749	52,820
Zakat @ 2.5%	1,368	1,321

The differences between the loss as per the financial statements and Zakatable income for the year used for Zakat base is mainly due to provisions, which are not allowed in the calculation of Zakatable income.

b) The movement in the zakat provision for the year was as follows:

	2012 SR'000	2011 SR'000
As at 1 January	1,859	3,757
Net provision during the year	1,362	930
Payments during the year	(1,853)	(2,828)
As at 31 December	1,368	1,859

c) Status of assessments

The Company has filed zakat returns with the Department of Zakat and Income tax (DZIT) for all years up to 31 December 2011.

The DZIT has requested additional information from the Company for the year ended 31 December 2010 and the Company is in the process of submitting it to the DZIT.

On initial review of the zakat return by the DZIT for the year ended 31 December 2011, a demand of SR 1,852,066 raised by the DZIT was paid under 'protest' by the Company and an appeal was filed with the DZIT which is in progress at the reporting date.

15 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 20 million issued and fully paid ordinary shares of SR 10 each.

16 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

Bank Guarantee

As at 31 December 2012, the Company's banker has issued letters of guarantee of SR 8.5 million (2011: 5.05 million) issued to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 6).

Legal proceedings

The Company operates in the takaful insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

COMMITMENTS

The Company has future capital commitment amounting to SR Nil (2011: SR 7 million).

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR.000	2011 SR.000
Shareholders' Operations		
Employee costs	**54,851**	**54,792**
Legal and professional fees	**6,552**	**17,936**
Office expenses	**7,345**	**7,138**
Advertising and marketing expenses	**2,215**	**3,694**
Depreciation (note 7)	**5,415**	**3,290**
Information Technology expenses	**3,197**	**3,211**
Travel and lodging expenses	**436**	**736**
Communication expenses	**739**	**711**
Others	**89**	**69**
	80,839	**91,577**

18 BASIC AND DILUTED LOSS PER SHARE

	2012 SR.000	2011 SR.000
Net loss for the year	**(577)**	**(32,905)**
Weighted average number of shares in issue throughout the year	**20,000**	**20,000**
	(0.03)	**(1.65)**

Basic and diluted loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the reporting date.

19 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 of which they are principal owners 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 year:

Related party	Nature of transaction	Amount of transaction		Balance	
		31 December 2012 SR'000	31 December 2011 SR'000	31 December 2012 SR'000	31 December 2011 SR'000
Al Rajhi Insurance	Reimbursement from / expenses paid on				
Company BSC	behalf of related party				
(shareholder)					
	a) takaful operations	**(1,561)**	-	**(927)**	634
	b) shareholder's operations	**317**	813	**1,274**	957
Al Rajhi Bank	Contribution for policies written	**334,043**	190,513	**32,610**	5,569
(shareholder)					
Affiliate companies	Contribution for policies written.	**64,153**	35,299	**39,165**	22,917
	Contributions receivable			**71,775**	28,486
Al Rajhi Bank	Claims incurred and notified during the year	**221,745**	121,767	**32,567**	20,774
(shareholder)					
Al Rajhi Bank	Bank balance of takaful operations			**40,720**	**12,074**
(Shareholder)					
	Bank balance of shareholders' operations			**59,165**	**637**
	Bank balances			**99,885**	**12,711**
Al Rajhi Capital	Available for sale investments				
(Affiliate)	a) takaful operations	**458**	274		
	b) shareholders' operations	**484**	1,567		
		942	1,841		
Al Rajhi Capital	Income received from sale of investment				
(Affiliate)	in Al Rajhi Capital commodity fund				
	a) takaful operation			**30,200**	**30,216**
	b) shareholders' operation			**149**	**-**
				30,349	**30,216**
Al Rajhi Bank	Investment in shares of Al Rajhi Bank			**3,676**	**4,660**
(Shareholder)					
Al Rajhi Takaful Agency					
(Subsidiary of					
shareholders)	Commissions	**1,060**	-	**(220)**	**(194)**

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 year ended is as follows:

	2012 SR.000	2011 SR.000
Salaries and benefits of key management personnel	**3,130**	6,416
Shariah committees' remuneration	**223**	212
	3,353	6,628

20 RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to takaful, re-takaful, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Takaful risk

The risk under a takaful contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of takaful liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of takaful contracts as a

more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of re-takaful arrangements.

Significant portion of re-takaful business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from re-takaful are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the financial position as re-takaful assets.

Although the Company has re-takaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to re-takaful ceded, to the extent that any re-takaful is unable to meet its obligations assumed under such re-takaful arrangements.

The takaful claim liabilities are sensitive to the various assumptions mentioned in note 4. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property and fire and accident

For property takaful contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to SR 500,000 (2011: SR 500,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has re-takaful cover for such damage to limit the losses for any individual claim to SR 300,000 (2011: SR 300,000).

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures.

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Marine

For marine cargo takaful, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine cargo class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has re-takaful cover to limit losses for any individual claim to SR 600,000 (2011: SR 600,000).

Sensitivity analysis

The general takaful claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claims ratio would impact income by approximately SR 15,807 thousand (2011: SR 9,586 thousand) annually in aggregate.

b) Re-takaful risk

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Motor policies are protected by an excess of loss treaty. Health policies have been reinsured on a quota share basis. Marine, engineering and other lines of business have been insured on a quota share, surplus and facultative basis.

To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of re-takaful.

Re-takaful ceded contracts do not relieve the Company from its obligations to the policyholders and as a result, the Company remains liable for outstanding claims re-takaful to the extent that the re-takaful fails to meet the obligations under the reinsurance agreements. The credit exposure in respect of re-takaful share of outstanding claims is mainly concentrated in the Gulf Co-operative Council countries (the 'GCC") and Europe.

c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

d) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2012. As at 31 December 2012, Company do not have any floating rate financial instruments.

e) Equity price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has investment in the units of commodity fund managed by a related party. The Company limits fund price risk by monitoring of developments in fund markets. A 5% change in the net asset value of funds, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SR 7 thousand (2011: SR Nil) and fair value reserve on investments under takaful operations by increase / decrease by SR 1,510 thousand (2011: SR 1,511).

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its re-takaful counterparties. Accordingly, as a pre-requisite, the parties with whom re-takaful is affected are required to have a minimum acceptable security rating level affirming their financial strength.

- The Company only enters into takaful and re-takaful contracts with recognized credit ratings of Reinsurers of BBB by Standards and Poor's (S&P) or equivalent. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and re-takaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investment risk appetite is low as the return is required to meet future liabilities arising from the Company's takaful business. The investments are held in a high quality, fixed income portfolio and are intended to be held until maturity.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2012	
	Takaful Operations SR'000	Shareholders Operations SR'000
Bank balances	**49,248**	**109,663**
Amount due from related parties	**-**	**1,274**
Contributions receivable, net	**111,296**	**-**
Available for sale investments	**30,200**	**2,572**
Re-takaful share of outstanding claims	**40,898**	**-**
Investment held to maturity	**-**	**112,710**
Advances, prepayments and other assets	**-**	**11,409**
	231,642	**237,628**

	2012	
	Takaful Operations SR'000	Shareholders Operations SR'000
Bank balances	42,726	1,155
Amount due from related parties	634	957
Contributions receivable, net	61,482	--
Available for sale invesmtents	30,216	2,223
Re-takaful share of outstanding claims	43,976	--
Investment held to maturity	7,000	197,175
Advances and other assets	6,622	19,793
	192,656	221,303

The analysis of the credit ratings of the investment portfolio is as follows:

	2012	
	Takaful Operations SR'000	Shareholders Operations SR'000
S & P (A-)	-	62,710
Fitch (A+)	-	50,000
	-	112,710

	2011	
	Takaful Operations SR'000	Shareholders Operations SR'000
S & P (A-)	7,000	95,000
Fitch (A+)	-	102,175
	7,000	197,175

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash outflow and expected re-takaful recoveries.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophic excess-of-loss re-takaful contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity Profiles

The table below summarizes the maturity profile of the assets and liabilities of the Company based on remaining expected contractual obligations. For takaful contract liabilities and re-takaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Repayments

	31 December 2012					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
ASSETS						
Bank balance and cash	50,413	-	50,413	109,740	-	109,740
Amount due from related parties	-	-	-	317	957	1,274
Due from shareholders' operations	6,045	196,822	202,867			
Contributions receivable	98,808	12,488	111,296			
Investment at FVIS	-	-	-	31,918	-	31,918
Available for sale investments	30,200	-	30,200	149	2,423	2,572
Re-takaful share of outstanding claims	40,898	-	40,898			
Investments held to maturity	-	-	-	112,710	-	112,710
Advances and other assets	-	-	-	11,409	-	11,409
Re-takaful share of unearned contributions	63,329	12,910	76,239			
Deferred policy acquisition costs	10,876	-	10,876			
Statutory deposit	-	-	-	-	20,000	20,000
Property and equipment, net	-	-	-	2,375	15,040	17,415
Management fee receivable	-	-	-	18,866	-	18,866
TOTAL ASSETS	300,569	222,220	522,789	287,484	38,420	325,904

	31 December 2011					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
ASSETS						
Bank balance and cash	48,950	-	48,950	1,211	-	1,211
Amount due from related parties	634	-	634	179	778	957
Due from shareholders' operations	121,421	75,401	196,822	-	-	-
Contributions receivable	55,355	6,127	61,482	-	-	-
Investment at FVIS	-	-	-	9,601	21,524	31,125
Available for sale investments	30,216	-	30,216	-	2,223	2,223
Re-takaful share of outstanding claims	43,976	-	43,976	-	-	-
Investments held to maturity	7,000	-	7,000	197,175	-	197,175
Advances and other assets	6,622	-	6,622	19,793	-	19,793
Re-takaful share of unearned contributions	71,758	1,587	73,345	-	-	-
Deferred policy acquisition costs	13,399	-	13,399	-	-	-
Statutory deposit	-	-	-	-	20,000	20,000
Property and equipment, net	-	-	-	6,516	8,524	15,040
Management fee receivable	-	-	-	35,620	-	35,620
TOTAL ASSETS	399,331	83,115	482,446	270,095	53,049	323,144

Maturity Profiles (continued)

	31 December 2012					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	119,263	-	119,263	-	-	-
Amount due to related parties	927	-	927	-	-	-
Management fee payable	18,866	-	18,866	-	-	-
Payables, accruals and others	30,597	-	30,597	9,455	-	9,455
Re-takaful balances payable, net	66,500	-	66,500	-	-	-
Gross unearned contributions	267,427	13,138	280,565	-	-	-
Unearned re-takaful commission income	5,967	-	5,967	-	-	-
Provision for Zakat	-	-	-	1,362	6	1,368
Due to takaful operations	-	-	-	202,867	-	202,867
Employees' end of service benefits	-	-	-	1,045	2,410	3,455
TOTAL LIABILITIES	509,547	13,138	522,685	214,729	2,416	217,145

	31 December 2011					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	90,240	--	90,240	--	--	--
Management fee payable	35,620	--	35,620	--	--	--
Payables, accruals and others	27,606	--	27,606	12,717	--	12,717
Re-takaful balances payable, net	85,925		85,925			
Gross unearned contributions	235,187	2,265	237,452	--	--	--
Unearned re-takaful commission income	5,525		5,525	--	--	--
Provision for Zakat	--	--	--	929	930	1,859
Due to takaful operations	--	--	--	121,421	75,401	196,822
Employees' end of service benefits	--	--	--	--	2,410	2,410
TOTAL LIABILITIES	480,103	2,265	482,368	135,067	78,741	213,808

Liquidity profile

All liabilities as of the reporting date are based on discounted cash flows and are payable on a current basis within one year.

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the takaful companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SR 100 million

Premium Solvency Margin

Claims Solvency Margin

The Company is currently reassessing its capital needs to maintain sufficient liquid resources and accordingly comply with the prescribed requirements for maintaining solvency margins.

i) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, contribution receivables, investments and accrued income and its financial liabilities consist of payables and accrued expenses and gross outstanding claims.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

21-OPERATING SEGMENTS

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities.

21- OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2012	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Gross contributions written	95,809	379,988	125,067	600,864
Re-takaful contributions ceded	(79,966)	(1,032)	(70,074)	(151,072)
Excess of loss	(739)	(2,750)	-	(3,489)
Net contributions written	15,104	376,206	54,993	446,303
Change in unearned contributions, net	83	(70,336)	30,034	(40,219)
Net contributions earned	15,187	305,870	85,027	406,084
Policy fee and other income	120	1,164	-	1,284
Re-takaful commission income	12,613	347	-	12,960
Total underwriting revenue	27,920	307,381	85,027	420,328
Gross claims paid	(9,713)	(241,827)	(122,484)	(374,024)
Re-takaful share of claims paid	8,129	2,203	79,652	89,984
Net claims paid	(1,584)	(239,624)	(42,832)	(284,040)
Movement in outstanding claims, net	(1,263)	(37,996)	7,158	(32,101)
Net claims incurred	(2,847)	(277,620)	(35,674)	(316,141)
Inspection and supervision fees	(339)	(1,894)	(1,683)	(3,916)
Policy acquisition costs	(5,885)	(9,442)	(11,155)	(26,482)
Other expenses	(330)	(1,315)	(433)	(2,078)
Total claims and other expenses	(9,401)	(290,271)	(48,945)	(348,617)
Net underwriting surplus	18,519	17,110	36,082	71,711
Investment income				670
Management fee				(72,381)
Net result for the year				-

For the year ended 31 December 2011	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Gross contributions written	58,000	233,827	201,517	493,344
Re-takaful contributions ceded	(46,975)	(1,481)	(98,222)	(146,678)
Excess of loss	(607)	(1,254)	-	(1,861)
Net contributions written	10,418	231,092	103,295	344,805
Change in unearned contributions, net	(2,671)	(47,199)	(25,501)	(75,371)
Net contributions earned	7,747	183,893	77,794	269,434
Policy fee and other income	96	56	750	902
Re-takaful commission income	7,440	390	-	7,830
Total underwriting revenue	15,283	184,339	78,544	278,166
Gross claims paid	(9,049)	(142,711)	(62,333)	(214,093)
Re-takaful share of claims paid	6,437	657	43,723	50,817
Net claims paid	(2,612)	(142,054)	(18,610)	(163,276)
Movement in outstanding claims, net	(833)	(14,051)	(13,564)	(28,448)
Net claims incurred	(3,445)	(156,105)	(32,174)	(191,724)
Inspection and supervision fees	(283)	(1,168)	(3,027)	(4,478)
Policy acquisition costs	(4,261)	(4,543)	(9,668)	(18,472)
Other expenses	(1,006)	(4,056)	(3,495)	(8,557)
Total claims and other expenses	(8,995)	(165,872)	(48,364)	(223,231)
Net underwriting surplus	6,288	18,467	30,180	54,935
Investment income				365
Management fee				(176,721)
Net deficit for the year				(121,421)

21 OPERATING SEGMENTS (CONTINUED)

As at 31 December 2012	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Takaful operations' assets				
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 letter of guarantee	-	7,050	1,478	8,528
Unallocated assets				386,248
Total Assets				522,789
Takaful operations' liabilities				
Outstanding claims	25,785	65,638	27,840	119,263
Unearned contributions	58,390	179,380	42,795	280,565
Unearned commission income	5,833	134	-	5,967
Unallocated liabilities and surplus				116,994
Total liabilities and surplus				522,789

As at 31 December 2011	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Takaful operations' assets				
Re-takaful share of outstanding claims	10,083	1,190	32,703	43,976
Re-takaful share of unearned contributions	25,477	692	47,176	73,345
Deferred policy acquisition cost	1,341	3,622	8,436	13,399
Deposit against letter of guarantee	--	5,050	--	5,050
Unallocated assets				346,676
Total Assets				482,446
Takaful operations' liabilities				
Outstanding claims	12,723	27,912	49,605	90,240
Unearned contributions	31,415	109,249	96,789	237,453
Unearned commission income	5,328	197	--	5,525
Unallocated liabilities and surplus				149,228
Total liabilities and surplus				482,446

22 - RECLASSIFICATION OF COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the presentation in the current year. The significant reclassifications effected in the statements of financial position and comprehensive income for the year ended 31 December 2012 is set out below:

	As reported in 2012 financial statements as comparatives	As reported in 2011	Net Impact
Statement of financial position			
Advance and other assets	**6,622**	17,256	(10,634)
Amount due from related parties	**634**	-	634
Gross outstanding claims	**90,240**	100,240	10,000
Statement of income			
Mudarib fee	**-**	91	(91)
Management fee	**176,721**	176,630	91

23 - APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 18 Feb 2013, corresponding to 8 Rabi Thani 1434H.

تكافل الراجحي
Al Rajhi Takaful

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

FINANCIAL STATEMENTS

TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	7	**179,621**	50,413
Due from shareholders' operations	6	**202,801**	202,867
Contributions receivable, net	20	**70,903**	111,296
Amount due from a related party	11	**400**	30,200
Advances, prepayments and other assets	12(a)	**1,575**	40,898
Re-takaful share of outstanding claims	13(c)	**64,169**	-
Re-takaful share of unearned contributions	10(i)(b)	**89,429**	-
Available for sale investment	13(a)	**15,945**	76,239
Deferred policy acquisition costs		**8,831**	10,876
TOTAL TAKAFUL OPERATIONS' ASSETS		**633,674**	**522,789**
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balances and cash	7	**107,130**	109,740
Amount due from related parties	20	**-**	1,274
Management fees receivable		**11,673**	18,866
Advances, prepayments and other assets	11	**12,654**	31,918
Investments at fair value through income statement	10(ii)(c)	**42,107**	2,572
Available for sale investments	10(ii)(b)	**17,364**	112,710
Investments held to maturity	10(ii)(d)	**76,800**	11,409
Statutory deposit	9	**20,000**	20,000
Property and equipment, net	8	**17,517**	17,415
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		**305,245**	**325,904**
TOTAL ASSETS		**938,919**	**848,693**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS			
TAKAFUL OPERATIONS' LIABILITIES			
Gross outstanding claims	12(a)	**203,576**	119,263
Amount due to related parties	20	**-**	927
Management fees payable		**11,673**	18,866
Payables, accruals and other liabilities	14	**33,023**	30,597
Re-takaful balances payable		**37,966**	66,500
Gross unearned contributions	13(c)	**343,121**	280,565
Unearned re-takaful commission income	13(b)	**4,264**	5,967
		633,623	522,685
TAKAFUL OPERATIONS' SURPLUS		**51**	104
Fair value reserve for available for sale investments	10(i)(b)		
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		**633,674**	522,789
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY			
SHAREHOLDERS' OPERATIONS' LIABILITIES			
Provision for zakat	15	**2,369**	1,368
Payables, accruals and other liabilities	14	**8,743**	9,455
Due to takaful operations		**202,801**	202,867
Employees' end of service benefits		**4,868**	3,455
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES		**218,781**	217,145
SHAREHOLDERS' EQUITY			
Share capital	16	**200,000**	200,000
Accumulated losses	10(ii)(b)	**(113,585)**	(91,241)
Fair value reserve for available for sale investments		**49**	-
TOTAL SHAREHOLDERS' EQUITY		**86,464**	108,759
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**305,245**	325,904
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**938,919**	848,693

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
Gross contributions written	13(c)	689,662	600,864
Re-takaful contributions ceded	13(c)	(131,177)	(151,072)
Excess of loss		(2,676)	(3,489)
NET CONTRIBUTIONS WRITTEN		555,809	446,303
Change in unearned contributions, net	13(c)	(49,365)	(40,219)
NET CONTRIBUTIONS EARNED		506,444	406,084
Policy fees and other income		1,038	1,284
Re-takaful commission income	13(b)	13,335	12,960
TOTAL UNDERWRITING REVENUE		520,817	420,328
Gross claims paid	12(a)	(441,026)	(374,024)
Re-takaful share of claims paid	12(a)	74,261	89,984
NET CLAIMS PAID		(366,765)	(284,040)
Movement in outstanding claims, net	12(a)	(61,042)	(32,101)
NET CLAIMS INCURRED		(427,807)	(316,141)
Inspection and supervision fees		(4,873)	(3,916)
Policy acquisition costs	13 (a)	(23,504)	(26,482)
Allowance for doubtful receivables	6	(2,172)	(2,052)
Other expenses		(299)	-
Other income		1,891	(26)
TOTAL CLAIMS AND OTHER EXPENSES		(456,764)	(348,617)
NET UNDERWRITING SURPLUS		64,053	71,711
Investment income		1,300	670
Management fee		(65,353)	(72,381)
Net surplus / deficit for the year		-	-
Net surplus / deficit transferred to shareholders' operations		-	-
NET RESULT FOR THE YEAR		-	-

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
Net result for the year		-	-
Other comprehensive income to be reclassified subsequently to the income statement:			
Net change in fair value of available for sale investments	9(i)(b)	**(53)**	104
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(53)**	**104**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
REVENUE			
Management fee		**65,353**	72,381
Dividend income		**2,307**	2,103
Net gain on investments at fair value through income statement	10(ii)(c)	**8,412**	2,433
Realized gain on available for sale investments		**1,243**	473
Special commission income on investments held to maturity		**2,388**	4,234
TOTAL REVENUE		**79,703**	81,624
General and administrative expenses	18	**(101,046)**	(80,839)
(LOSS) / INCOME BEFORE ZAKAT		**(21,343)**	785
Provision for zakat	15(b)	**(1,001)**	(1,362)
NET LOSS FOR THE YEAR		**(22,344)**	(577)
BASIC AND DILUTED LOSS PER SHARE (SR)	19	**(1.12)**	(0.03)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	2013 SR'000	2012 SR'000
Net loss for the year	**(22,344)**	(577)
Other comprehensive income to be reclassified subsequently to the income statement:		
Net change in fair value of available for sale investments	**49**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(22,295)**	**(577)**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Share capital SR'000	Accumulated losses SR'000	Fair value reserve for AFS investments SR'000	Total SR'000
Balance as at 1 January 2012	200,000	(90,664)	-	**109,336**
Net loss for the year	-	(577)	-	**(577)**
Total comprehensive loss for the year	-	(577)	-	**(577)**
Balance as at 31 December 2012	**200,000**	**(91,241)**	-	**108,759**
Net loss for the year	**-**	**(22,344)**	-	**(22,344)**
Other comprehensive income	**-**	**-**	**49**	**49**
Total comprehensive (loss) / income for the year	**-**	**(22,344)**	**49**	**(22,295)**
Balance as at 31 December 2013	**200,000**	**(113,585)**	**49**	**86,464**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES			
Net result for the year			
Adjustments for:		-	-
Management fee		**65,353**	72,381
Allowance for doubtful receivables	6	**2,172**	2,052
Net surplus before changes in operating assets and liabilities		**67,525**	74,433
Changes in operating assets and liabilities:			
Due from shareholders' operations		**66**	(6,045)
Contributions receivable		**38,221**	(51,866)
Amount due from related parties		**(400)**	1,561
Amount due to related parties		**(927)**	-
Advances, prepayments and other assets		**(1,575)**	6,622
Re-takaful share of outstanding claims		**(23,271)**	3,078
Re-takaful share of unearned contributions		**(13,190)**	(2,894)
Deferred policy acquisition costs		**2,045**	2,523
Gross outstanding claims		**84,313**	29,023
Payables, accruals and other liabilities		**2,426**	2,991
Re-takaful balances payable		**(28,534)**	(19,425)
Gross unearned contributions		**62,556**	43,113
Unearned commission income		**(1,703)**	442
Deposit against letters of guarantee		**(4,573)**	(3,478)
Management fee paid		**(72,546)**	(89,135)
Net cash from/ (used in) operating activities		**110,433**	(9,057)
INVESTING ACTIVITIES			
Maturities of investments held to maturity		-	7,000
Purchase of available for sale investments	10(i)(b)	**(438,500)**	(195,000)
Sale of available for sale investments	10(i)(b)	**452,702**	195,042
Net cash from investing activities		**14,202**	7,042
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**124,635**	(2,015)
Cash and cash equivalents at the beginning of year		**41,885**	43,900
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**166,520**	41,885
Non - cash supplemental information:			
Change in fair value of available for sale investments		**(53)**	104

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES			
Net loss for the year		**(22,344)**	(577)
Adjustments for:			
Depreciation		**5,700**	5,415
Management fee		**(65,353)**	(72,381)
Provision for zakat		**1,001**	1,362
Employees' end of service benefits		**1,413**	1,045
Net gain on investments at fair value through income statement		**(8,412)**	(2,433)
Net deficit before changes in operating assets and liabilities		**(87,995)**	(67,569)
Changes in operating assets and liabilities:			
Amount due from related parties		**1,274**	(317)
Advances, prepayments and other assets		**(1,245)**	8,384
Payables, accruals and other liabilities		**(712)**	(3,262)
Due to takaful operations		**(66)**	6,045
		(749)	(56,719)
Management fee received		**72,546**	89,135
Zakat paid	15(b)	**-**	(1,853)
Net cash (used in) / from operating activities		**(16,198)**	30,563
INVESTING ACTIVITIES			
Purchase of property and equipment, net		**(5,802)**	(7,790)
Purchase of available for sale investments	10(ii)(b)	**(459,500)**	(122,700)
Sale of available for sale investments	10(ii)(b)	**444,757**	122,351
Purchase of investments at fair value through income statement	10(ii)(c)	**(20,809)**	(15,919)
Sale of investments at fair value through income statement	10(ii)(c)	**19,032**	17,559
Maturities of investments held to maturity	10(ii)(d)	**124,710**	197,175
Purchase of investments held to maturity	10(ii)(d)	**(88,800)**	(112,710)
Net cash from investing activities		**13,588**	77,966
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(2,610)**	108,529
Cash and cash equivalents at beginning of the year		**109,740**	1,211
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**107,130**	109,740
Non-cash supplemental information:			
Changes in fair value of available for sale investments		**49**	(1,145)

1 ORGANIZATION 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 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 to17 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 stock market ("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 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.

b) Statement of compliance

The Company has prepared these 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 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 STANDARD AND AMENDMENTS ISSUED

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 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 financial statements of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 10.

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 OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Company's financial position or performance.

New amendments and 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

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for of their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Takaful contracts

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Once a contract has been classified as a takaful contract, it remains a takaful contract till its maturity, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Re-takaful

Re-takaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful contracts held are recognized as re-takaful assets. These assets consist of the re-takaful share of settlement of claims and other receivables such as profit commissions and the re-takaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful contracts.

Amounts recoverable from or due to re-takaful companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each re-takaful contract.

At each reporting date, the Company assesses whether there is any indication that a re-takaful asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of a re-takaful asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income - takaful operations.

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income - takaful operations in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims Incurred But Not Reported ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income - takaful operations.

The Company does not discount its liabilities for unpaid claims, as substantially all claims are expected to be paid within one year of the reporting date.

Deferred policy acquisition costs (DPAC)

Commissions and other costs of acquiring takaful contracts that are primarily related to securing new contracts and renewing existing contracts are capitalized as an intangible asset and are subsequently amortized over the life of the contract on a basis consistent with the term of the related policy coverage

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment charge in the Statement of Income - Takaful Operations. DPAC is also considered in the liability adequacy test for each reporting period.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs, using current estimates of future cash flows under takaful contracts. In

performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the Statement of Income - Takaful Operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests under premium deficiency reserves.

Income recognition

The underwriting surplus represents contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts reinsured, less provision for any anticipated future losses on continuing policies.

Fees and commission income

Fees and commission income represents management fees charged to clients for policy documentation and claim management charges that are recovered from policyholders.

Management fee

Management fee from Takaful Operations are recognized by shareholders' operations when earned in accordance with the takaful agreements approved by the Shariah Supervisory Board and the Board of Directors.

Re-takaful commission income

Re-takaful commissions are deferred and amortized on a straight-line basis over the term of the takaful contracts. Re-takaful profit commission is recognized as the basis of terms agreed with reinsurers which include claim or loss ratios on policies ceded.

Other income

Dividend income is recognized when the right to receive payment is established.

Special commission income on investments is recognised on the effective interest rate method.

Contribution receivable

Contribution receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of contributions receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Income - Takaful Operations. Contribution receivable are derecognized when the de-recognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following period is included in the underwriting result for that period.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and murabaha deposits with an original maturity of three months or less from the acquisition date.

Investments

The accounting policies for each of the classification of investments are as follows:

Investments at fair value through income statement (FVIS)

A financial asset is classified as at fair value through income statement if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in statement of income as incurred.

After initial recognition, investments at FVIS are measured at fair value and any change in the fair value is recognized in the Statement of Income for the period in which it arises. Special commission income and dividend income received on financial assets held as FVIS are reflected as income from investment held as FVIS in the Statement of Income.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

Investment held to maturity:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

Held-to-maturity investments are recorded at cost, adjusted by the amount of amortization of premium or accretion of discount using the effective interest rate method.

Any permanent decline in value of investments is adjusted for and reported in the related Statements of Income as impairment charges.

Available-for-sale investments (AFS)

Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates.

Available for sale investment securities are initially recognized at fair value, including acquisition charges associated with the investment. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in statement of comprehensive income and presented in the fair value reserve in equity for AFS investments of shareholders and under Takaful operations surplus/liabilities for Takaful operations. When an investment is derecognised, the gain or loss is reclassified to statement of income. For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to

declared net asset values. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security.

De-recognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / de-recognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

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 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.

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

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 categorization (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 investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in any discontinued operation.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets (including contribution receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is the significant or prolonged decline in fair value from the cost.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

i. Significant financial difficulty of the issuer or debtor;
ii. A breach of contract, such as a default or delinquency in payments;
iii. It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
iv. The disappearance of an active market for that financial asset because of financial difficulties; or
v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

– adverse changes in the payment status of issuers or debtors in the Company; or
– national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

Impairment of non financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to statement of income of Shareholders' Operations. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of income – shareholders' operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Years
Office and electrical equipment	5
Furniture and fixtures	6 - 7
Motor vehicles	5
Computer hardware and software	3 - 5

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of income of shareholders' operations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Re-takaful balance payable

Re-takaful balances payable comprise of the amounts payable to various re-takaful companies in respect of re-takaful share of contributions, net of paid claims and commission income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by Saudi Arabian Labour Law.

Zakat

The Company is subject to zakat in accordance with the regulation. Zakat is accrued and charged to the statement of income - shareholders' operations.

Earned and unearned contributions

Retained contributions and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months from the period in respect of marine cargo;
- Actual number of days for other lines of business and
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower contributions are earned in the first year which gradually increase towards the end of the tenure of the policy.

The Company commenced using the pre-defined calculation for Engineering class of business staring 1 January 2013. As only the calculation for deferring the contributions has been amended, this is a change in accounting estimate. This change in calculation is expected to have minimal impact on the net earned contribution of the Company for future years as the net retention of the Company in respect of Engineering business is considered to be minimal by Management.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other segments, whose operating results are reviewed regularly by the management committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company is organised into business units based on their products and services and has three operating and reportable segments as follows:

- General
- Motor
- Health

Operating segments do not include shareholders' operations.

Segment performance is evaluated based on segment profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. Company financing is managed for the Company as a whole and are not allocated to individual operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

Segment assets do not include takaful operations' cash and cash equivalents, due from shareholders' operations, net contributions receivable, advances, prepayments and other assets, available for sale investments, investments held to maturity and amounts due from related parties. Accordingly they are included in unallocated assets.

Segment liabilities do not include payables, accruals and others, amount due to related party, 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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income - takaful operations, except when they relate to items where gains or losses are recognized directly in comprehensive income and the gain or loss is recognized net of the exchange component in equity.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Management (Wakala) fee

The management fee model for motor and general (40% of gross written premium), health (30% of gross written premium) lines of business was based on a fixed charge on gross written contribution upto 31 December 2011. From 1 January 2012, the Company has amended the model by charging 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%. Also, the Company limits the management fee charge to the extent of surplus available in Statement of income of takaful operations.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Details of the specific estimate and judgments made by management are given below:

The ultimate liability arising from claims made under takaful contracts

The estimation of the ultimate liability arising from claims made under takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of 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, which are expected to be reported subsequent to the reporting date, for which the insured loss event has occurred prior to the reporting 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 company also used the services of an actuary to ensure adequacy of its claim reserves.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims on a quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Liabilities arising under general, motor and health takaful contracts are independently reviewed and certified by an external actuary.

Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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.

Deferred policy acquisition costs ("DPAC")

Certain acquisition costs related to writing or renewal of policies are recorded as DPAC and are amortised in the statement of income - takaful operations over the related period of policy coverage in the same manner that policy contributions are recognised. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income - takaful operations.

Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For year ended 31 December 2013

6 CONTRIBUTIONS RECEIVABLE, NET

	2013 SR'000	2012 SR'000
Due from policyholders		
- External policyholders	**54,755**	52,297
- Related parties	**31,096**	71,775
Gross contributions receivables	**85,851**	124,072
Allowance for doubtful receivables	**(14,948)**	(12,776)
	70,903	111,296

Allowance for doubtful receivables includes provision of SR 1,275 thousand (2012: SR 2,052 thousand) against the receivable from related parties.

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

	2013 SR'000	2012 SR'000
As at 1 January	**12,776**	10,724
Charge for the year	**2,172**	2,052
As at 31 December	**14,948**	12,776

As at 31 December 2013, the ageing of contributions receivable balances is as follows

	Total SR'000	Not yet due SR'000	Neigher past due nor impaired SR'000	Pust due and impaired		
				91 to 180 days SR'000	18 to 365 days SR'000	Above 365 days SR'000
As at 31 December 2013	***85,851***	**12,089**	**47,535**	**3,010**	**5,832**	**17,385**
As at 31 December 2012	124,072	37,308	57,635	7,503	9,138	12,488

The Company classifies balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of income - takaful operations. It is not the practice of the Company to obtain collateral over receivables and these are therefore, unsecured. The Company does not have an internal credit ratings assessment process. Amounts which are neither past due nor impaired, in respect of policyholders' balances, are from individuals and unrated corporates.

The five largest customers account for 33% of outstanding accounts receivable as at December 31, 2013 (2012: 56%).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2013

7 BANK BALANCES AND CASH

	2013 SR'000		2012 SR'000	
	Takaful Operations	Shareholders Operations	Takaful Operations	Shareholders Operations
Cash in hand and at banks	**166,520**	**107,130**	41,885	59,740
Murabaha deposits	**-**	**-**	-	50,000
Cash and cash equivalents in the statements of cash flows	**166,520**	**107,130**	41,885	109,740
Deposit against letters of Guarantee (7.1)	**13,101**	**-**	8,528	-
	179,621	**107,130**	50,413	109,740

Murabaha deposits are made for varying periods ranging between one day and three months depending on the cash requirements of the Company. The average variable commission rate on murabaha deposits at 31 December 2013 is 2.58% per annum (2012- 2.24% per annum).

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

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

7.1 Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's service providers (note 17). As these cannot be withdrawn before the end of guarantee period, these are restricted in nature.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2012

8 PROPERTY AND EQUIPMENT

	Office & electrical equipments SR'000	Furniture & fixtures SR'000	Motor Vehicles SR'000	Computer software SR'000	Computer Hardware SR'000	Total 2012 SR'000
Cost:						
Balance at 1 January 2012	1,578	13,268	581	1,011	3,802	20,240
Additions during the year	342	86	-	6,442	933	7,803
Disposals during the year	(23)	-	-	-	-	(23)
Balance at 31 December 2012	1,897	13,354	581	7,453	4,735	28,020
Additions during the year	**273**	**1,026**	**546**	**2,917**	**1,040**	**5,802**
Balance at 31 December 2013	**2,170**	**14,380**	**1,127**	**10,370**	**5,775**	**33,822**
Accumulated depreciation:						
Balance at 1 January 2012	394	2,645	162	329	1,670	5,200
Charge for the year (note 18)	341	1,999	116	1,491	1,468	5,415
Disposals during the year	(10)	-	-	-	-	(10)
Balance at 31 December 2012	725	4,644	278	1,820	3,138	10,605
Charge for the year (note 18)	**414**	**2,052**	**125**	**1,992**	**1,117**	**5,700**
Balance at 31 December 2013	**1,139**	**6,696**	**403**	**3,812**	**4,255**	**16,305**
Net book value as at						
31 December 2013	**1,031**	**7,684**	**724**	**6,558**	**1,520**	**17,517**
31 December 2012	1,172	8,710	303	5,633	1,597	17,415

9 STATUTORY DEPOSIT

The statutory deposit 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2013

10 INVESTMENTS

i) Takaful operations:

a) Available for sale ("AFS") investment comprise of the following:

	2013 SR'000	2012 SR'000
Investment in Al Rajhi Capital Commodity Mudarabah Fund	**15,945**	**30,200**

b) The movements in AFS investments were as follows:

	2013 SR'000	2012 SR'000
As at 1 January	**30,200**	30,216
Purchased during the year	**438,500**	195,000
Sold during the year	**(452,702)**	(195,120)
Net change in fair values	**(53)**	104
As at 31 December	**15,945**	30,200

ii) Shareholders' operations:

a) An analysis of investments is set out below:

	2013 SR'000	2012 SR'000
AFS investment		
Investment in Al Rajhi Capital Commodity Mudarabah Fund	**15,441**	149
AFS investment –unquoted		
Najm Insurance Services Co. (note 10 (ii)(e))	**1,923**	2,423
	17,364	2,572
Investments at FVIS (Saudi Companies Equities)	**42,107**	31,918
Investments held to maturity – unquoted		
Murabaha deposits (maturity more than three months)	**76,800**	112,710
Total investments – Shareholders' operations	**136,271**	147,200

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2013

b) The movements in AFS investments were as follows:

	2013 SR'000	2012 SR'000
As at 1 January	**2,572**	2,223
Purchased during the year	**459,500**	122,700
Sold during the year	**(444,757)**	(122,351)
Net change in fair values	**49**	-
As at 31 December	**17,364**	2,572

c) The movements in FVIS investments were as follows:

	2013 SR'000	2012 SR'000
As at 1 January	**31,918**	31,125
Purchased during the year	**20,809**	15,919
Sold during the year	**(19,032)**	(17,559)
Net change in fair values	**8,412**	2,433
As at 31 December	**42,107**	31,918

d) The movements in held to maturity investments were as follows:

	2013 SR'000	2012 SR'000
As at 1 January	**112,710**	197,175
Purchased during the year	**88,800**	112,710
Maturities during the year	**(124,710)**	(197,175)
As at 31 December	**76,800**	112,710

e) Investment in 'Najm Insurance Services Company' represents a 3.85% (2012: 4.55%) equity holding in that Company. As the fair value is not readily available, this investment has been carried at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

Determination of fair value and fair value hierarchy

	Level 1 SR' 000	Level 2 SR' 000	Level 3 SR' 000	Level 4 SR' 000
31 December 2013				
Financial investments available for sale (Takaful operations)	-	15,945	-	**15,945**
Financial assets held as FVIS (Shareholders' operations)	42,107	-	-	**42,107**
Financial investments available for sale (Shareholders' operations)	-	15,441	1,923	**17,364**
Total	**42,107**	**31,386**	**1,923**	**75,416**

	Level 1 SR' 000	Level 2 SR' 000	Level 3 SR' 000	Level 4 SR' 000
31 December 2012				
Financial investments available for sale (Takaful operations)	**-**	**30,200**	**-**	**30,200**
Financial assets held as FVIS (Shareholders' operations)	**31,918**	**-**	**-**	**31,918**
Financial investments available for sale (Shareholders' operations)	**-**	**149**	**2,423**	**2,572**
Total	**31,918**	**30,349**	**2,423**	**64,690**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2013 SR'000	2012 SR'000
As at 1 January	**2,423**	2,223
Purchase during the year	**--**	200
Disposal / maturities during the year	**(500)**	--
As at 31 December	**1,923**	2,423

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 year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value increase of SR 8,412 thousand in respect of FVIS investments was recorded in Statement of Income – Shareholders' Operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For year ended 31 December 2013

11 ADVANCES, PREPAYMENTS AND OTHER ASSETS

	2013 SR'000		2012 SR'000	
	Takaful Operations	Shareholders Operations	Takaful Operations	Shareholders Operations
Advances to suppliers	**50**	**8,744**	-	6,770
Prepayments:				
- Rent	**-**	**1,375**	-	1,355
- Others	**1,525**	**1,928**	-	2,412
Accrued profits on murabaha deposits	**-**	**475**	-	740
Deposits	**-**	**132**	-	132
	1,575	**12,654**	-	11,409

12 OUTSTANDING CLAIMS

a) Outstanding claims at year end are as follows:

	2013			2012		
	Cross SR'000	Re-takaful share SR'000	Net SR'000	Cross SR'000	Re-takaful share SR'000	Net SR'000
Outstanding at 31 December	**135,110**	**(38,003)**	**97,107**	79,200	(20,735)	58,465
IBNR	**68,466**	**(26,166)**	**42,300**	40,063	(20,163)	19,900
	203,576	**(64,169)**	**139,407**	119,263	(40,898)	78,365
Claims paid during the year	**(441,026)**	**74,261**	**(366,765)**	(374,024)	89,984	(284,040)
Outstanding at 1 January	**79,200**	**(20,735)**	**58,465**	53,406	(27,186)	26,220
IBNR	**40,063**	**(20,163)**	**19,900**	36,834	(16,790)	20,044
	119,263	**(40,898)**	**78,365**	90,240	(43,976)	46,264
Claims incurred	**(525,339)**	**97,532**	**(427,807)**	(403,047)	86,906	(316,141)

Claims development

The Company commenced its operations on 17 January 2010. Accordingly, management believes that the disclosure of a claims development table would not be meaningful over the resultant four year period.

13 MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED RE-TAKAFUL COMMISSION INCOME AND UNEARNED CONTRIBUTION INCOME

a) Deferred policy acquisition costs

	2013 SR'000	2012 SR'000
As at 1 January	**10,876**	13,399
Incurred during the year	**21,459**	23,959
Amortized during the year	**(23,504)**	(26,482)
As at 31 December	**8,831**	10,876

b) Movement in unearned re-takaful commission income

	2013 SR'000	2012 SR'000
As at 1 January	**5,967**	5,525
Received during the year	**11,632**	13,402
Earned during the year	**(13,335)**	(12,960)
As at 31 December	**4,264**	5,967

c) Movement in unearned contributions

	2013			2012		
	Cross SR'000	Re-takaful share SR'000	Net SR'000	Cross SR'000	Re-takaful share SR'000	Net SR'000
As at 1 January	**280,565**	**(76,239)**	**204,326**	237,452	(73,345)	164,107
Contributions written during the year (excluding excess of loss)	**689,662**	**(131,178)**	**558,484**	600,864	(151,072)	449,792
Contributions earned during the year (excluding excess of loss)	**(627,106)**	**117,987**	**(509,119)**	(557,751)	148,178	(409,573)
As at 31 December	**343,121**	**(89,430)**	**253,691**	280,565	(76,239)	204,326

14 PAYABLES, ACCRUALS AND OTHERS LIABILITIES

	2013 SR'000	
	Takaful Operations	Shareholders Operations
Accounts payable and others	**20,273**	**6,445**
Accrued expenses	**12,750**	**2,298**
	33,023	**8,743**

	2012 SR'000	
	Takaful Operations	Shareholders Operations
Accounts payable and others	**21,347**	**5,789**
Accrued expenses	**9,250**	**3,666**
	30,597	**9,455**

15 ZAKAT

a) The zakat charge for the year has been computed as follows:

	2013 SR'000	2012 SR'000
Equity	**108,759**	109,336
Opening allowances and other adjustments	**17,599**	14,993
Book value of long term assets	**(70,526)**	(75,347)
	55,832	48,982
Zakatable income for the year	**(15,792)**	5,767
Zakat base	**40,040**	54,749
Zakat @ 2.5%	**1,001**	1,368

15 ZAKAT (Continued)

The differences between the loss as per the financial statements and zakatable income (income subject to Zakat which is computed based on Zakat rules) for the year used for zakat base is mainly due to provisions, which are not allowed in the calculation of zakatable income.

b) The movement in zakat provision for the year was as follows:

	2013 SR'000	2012 SR'000
As at 1 January	1,368	1,859
Net provision during the year	1,001	1,362
Payments during the year	-	(1,853)
As at 31 December	2,369	1,368

c) Status of assessments

The Company has filed zakat returns with the Department of Zakat and Income tax ("DZIT") for all years up to 31 December 2012.

The DZIT has requested additional information from the Company for the year ended 31 December 2010 and the Company is in the process of submitting it to the DZIT.

On initial review of the zakat return by the DZIT for the year ended 31 December 2011, a demand of SR 1,852,066 raised by the DZIT.This was paid under 'protest' by the Company and an appeal was filed with the DZIT which is in progress at the reporting date.

16 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 20 million issued and fully paid ordinary shares of SR 10 each.

17 CONTINGENCIES AND COMMITMENTS

a) Contingencies

Bank Guarantees

As at 31 December 2013, the Company's banker has issued letters of guarantee of SR 13.1 million (2012: 8.5 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 7).

Legal proceedings

The Company operates in takaful contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

b) Commitments

The Company has no future capital commitment at the reporting date.

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR.000	2012 SR.000
Employee costs	**69,663**	54,851
Legal and professional fees	**8,351**	6,552
Office expenses	**8,311**	7,345
Information technology expenses	**5,813**	3,197
Depreciation (note 8)	**5,700**	5,415
Advertising and marketing expenses	**1,409**	2,215
Travel and lodging expenses	**909**	436
Communication expenses	**765**	739
Others	**125**	89
	101,046	80,839

19 BASIC AND DILUTED LOSS PER SHARE

	2013 SR.000	2012 SR.000
Net loss for the year - SR'000	**(22,344)**	(577)
Weighted average number of shares in issue throughout the year	**20,000**	20,000
Basic and diluted loss per share – SR	**(1.12)**	(0.03)

Basic and diluted loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the reporting date. The Company does not have any instruments having a dilution effect thus basic and diluted loss per share are same.

20 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 of which they are principal owners 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 year:

Related party	Nature of transaction	Amount of transaction		Balance	
		2013 SR'000	2012 SR'000	2013 SR'000	2012 SR'000
Al Rajhi Insurance	Reimbursement from / expenses paid on				
Company BSC	behalf of related party				
(shareholder)					
	a) takaful operations	**1,327**	(1,561)	400	(927)
	b) shareholder's operations	**(1,274)**	317	-	1,274
Al Rajhi Bank	Contribution for policies written	**396,129**	334,043	18,332	32,610
(shareholder)					
Affiliate companies	Contribution for policies written.	**26,632**	64,153	12,764	39,165
		313,494	221,745		
Al Rajhi Bank	Contributions receivable			31,096	71,775
(shareholder)	Claims incurred and notified during the year			74,813	32,567
Al Rajhi Bank	Bank balance of takaful operations			166,520	40,720
(Shareholder)					
	Bank balance of shareholders' operations			**106,098**	59,165
	Bank balances			**272,618**	99,885
Al Rajhi Capital	Available for sale investments				
(Affiliate)					
	a) takaful operations			15,945	30,200
	b) shareholders' operations			15,441	149
				31,386	30,349
Al Rajhi Capital	Income received from sale of investment				
(Affiliate)	in Al Rajhi Capital commodity fund				
	a) takaful operation	**1,298**	458		
Al Rajhi Bank	b) shareholders' operation	**1,243**	484		
(Shareholder)		**2,541**	942		
Al Rajhi Takaful Agency	Investment in shares of Al Rajhi Bank for				
(Subsidiary of	trading purposes			5,041	3,676
shareholders)	Commissions	**(1,079)**	1,060	(505)	(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 year ended is as follows

	2013 SR.000	2012 SR.000
Salaries and benefits of key management personnel	**6,055**	3,130
Shariah committees' remuneration	**219**	223
	6,274	3,353

21 RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to takaful, re-takaful, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Takaful risk

The risk under a takaful contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of takaful liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of takaful contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of re-takaful arrangements.

Significant portion of re-takaful business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from re-takaful are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the financial position as re-takaful assets.

Although the Company has re-takaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to re-takaful ceded, to the extent that any re-takaful is unable to meet its obligations assumed under such re-takaful arrangements.

21 RISK MANAGEMENT (Continued)

a) Takaful risk (continued)

The takaful claim liabilities are sensitive to the various assumptions mentioned in note 4. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property and fire and accident

For property takaful contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to SR 500,000 (2012: SR 500,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has re-takaful cover for such damage to limit the losses for any individual claim to SR 300,000 (2012: SR 300,000).

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Marine

For marine cargo takaful, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine cargo class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has re-takaful cover to limit losses for any individual claim to SR 600,000 (2012: SR 600,000).

Sensitivity analysis

The takaful claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claim ratio would impact income by approximately SR 25,332 thousand (2012: SR 20,304 thousand) annually in aggregate.

21 RISK MANAGEMENT (Continued)

b) Re-takaful risk

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Motor policies are protected by an excess of loss treaty. Health policies have been reinsured on a quota share basis. Marine, engineering and other lines of business have been insured on a quota share, surplus and facultative basis.

To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of re-takaful.

Re-takaful ceded contracts do not relieve the Company from its obligations to the policyholders and as a result, the Company remains liable for outstanding claims re-takaful to the extent that the re-takaful fails to meet the obligations under the reinsurance agreements. The credit exposure in respect of re-takaful share of outstanding claims is mainly concentrated in the Gulf Co-operative Council countries (the 'GCC") and Europe.

c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

d) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2013. As at year end, the Company do not have any floating rate financial instruments.

e) Equity price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has investment in the units of commodity fund managed by a related party. A 5% change in the net asset value of funds, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SR 772 thousand (2012: SR 7 thousand) and fair value reserve on investments under takaful operations by increase / decrease by SR 797 thousand (2012: SR 1,510 thousand).

The Company has investment in the Saudi companies equities listed on Tadawul. A 5% change in the net asset value of these investments, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SR 2,105 thousand (2012: SR 1,596 thousand).

21 RISK MANAGEMENT (Continued)

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its re-takaful counterparties. Accordingly, as a pre-requisite, the parties with whom re-takaful is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into takaful and re-takaful contracts with recognized credit ratings of Reinsurers of BBB by Standards and Poor's (S&P) or equivalent. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and re-takaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investment risk appetite is low as the return is required to meet future liabilities arising from the Company's takaful business. The investments are held in a high quality, fixed income portfolio and are intended to be held until maturity.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position.

	2013	
	Takaful Operations SR'000	Shareholders Operations SR'000
Bank balances	**179,609**	107,032
Amount due from related parties	**400**	-
Contributions receivable, net	**70,903**	-
Available for sale investments	**15,945**	17,364
Re-takaful share of outstanding claims	**64,169**	-
Investment held to maturity	**-**	76,800
Advances and other assets	**50**	9,219
Statutory deposit	**-**	20,000
	331,076	230,415

	2012	
	Takaful Operations SR'000	Shareholders Operations SR'000
Bank balances	49,248	109,663
Amount due from related parties	-	1,274
Contributions receivable, net	111,296	-
Available for sale investments	30,200	2,572
Re-takaful share of outstanding claims	40,898	-
Investment held to maturity	-	112,710
Advances and other assets	-	7,512
Statutory deposit	-	20,000
	231,642	253,731

21 RISK MANAGEMENT (Continued)

f) Credit risk (continued)

The analysis of the credit ratings of the investment portfolio (held to maturity) is as follows:

	2013	
	Takaful Operations SR'000	Shareholders Operations SR'000
S & P (A-)	-	26,438
S & P (BB+)	-	50,362
	-	76,800

	2012	
	Takaful Operations SR'000	Shareholders Operations SR'000
S & P (A-)	-	62,710
Fitch (A+)	-	50,000
	-	112,710

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash outflow and expected re-takaful recoveries.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

- The Company's catastrophic excess-of-loss re-takaful contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Liquidity risk (continued)

Maturity Profiles

The table below summarizes the maturity profile of the assets and liabilities of the Company based on remaining expected obligations. For takaful contract liabilities and re-takaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.

	31 December 2013					
	Takaful Operations			Shareholders		
	Current SR'000	Non-current SR'000	Total SR'000	Current SR'000	Non-current SR'000	Total SR'000
ASSETS						
Bank balance and cash	179,621	-	179,621	107,130	-	107,130
Amount due from related parties	400	-	400	-	-	-
Due from shareholders' operations	202,801	-	202,801	-	-	-
Contributions receivable	70,903	-	70,903	-	-	-
Investment at FVIS	-	-	-	42,107	-	42,107
Available for sale investments	15,945	-	15,945	17,364	-	17,364
Re-takaful share of outstanding claims	64,169	-	64,169	-	-	-
Investments held to maturity	-	-	-	76,800	-	76,800
Advances, prepayments and other assets	1,575	-	1,575	12,654	-	12,654
Re-takaful share of unearned contributions	87,698	1,731	89,429	-	-	-
Deferred policy acquisition costs	8,831	-	8,831	-	-	-
Statutory deposit	-	-	-	-	20,000	20,000
Property and equipment, net	-	-	-	17,517	-	17,517
Management fee receivable	-	-	-	11,673	-	11,673
TOTAL ASSETS	631,943	1,731	633,674	285,245	20,000	305,245

	31 December 2012					
	Takaful Operations			Shareholders		
	Current SR'000	Non-current SR'000	Total SR'000	Current SR'000	Non-current SR'000	Total SR'000
ASSETS						
Bank balance and cash	50,413	-	50,413	109,740	-	109,740
Amount due from related parties	-	-	-	317	957	1,274
Due from shareholders' operations	202,867	-	202,867	-	-	-
Contributions receivable	98,808	12,488	111,296	-	-	-
Investment at FVIS	-	-	-	31,918	-	31,918
Available for sale investments	30,200	-	30,200	2,572	-	2,572
Re-takaful share of outstanding claims	40,898	-	40,898	-	-	-
Investments held to maturity	-	-	-	112,710	-	112,710
Advances, prepayments and other assets	-	-	-	11,409	-	11,409
Re-takaful share of unearned contributions	63,329	12,910	76,239	-	-	-
Deferred policy acquisition costs	10,876	-	10,876	-	-	-
Statutory deposit	-	-	-	-	20,000	20,000
Property and equipment, net	-	-	-	17,415	-	17,415
Management fee receivable	-	-	-	18,866	-	18,866
TOTAL ASSETS	497,391	25,398	522,789	304,947	20,957	325,904

Maturity Profiles (continued)

	31 December 2013					
	Takaful Operations			Shareholders		
	Current SR'000	Non-current SR'000	Total SR'000	Current SR'000	Non-current SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	**203,576**	**-**	**203,576**	**-**	**-**	**-**
Amount due to related parties	**-**	**-**	**-**	**-**	**-**	**-**
Management fee payable	**11,673**	**-**	**11,673**	**-**	**-**	**-**
Payables, accruals and other liabilities	**33,023**	**-**	**33,023**	**8,743**	**-**	**8,743**
Re-takaful balances payable, net	**37,966**	**-**	**37,966**	**-**	**-**	**-**
Gross unearned contributions	**319,995**	**23,126**	**343,121**	**-**	**-**	**-**
Unearned re-takaful commission income	**4,264**	**-**	**4,264**	**-**	**-**	**-**
Provision for Zakat	**-**	**-**	**-**	**1,001**	**1,368**	**2,369**
Due to takaful operations	**-**	**-**	**-**	**-**	**202,801**	**202,801**
Employees' end of service benefits	**-**	**-**	**-**	**-**	**4,868**	**4,868**
TOTAL LIABILITIES	**610,497**	**23,126**	**633,623**	**9,744**	**209,037**	**218,781**

	31 December 2012					
	Takaful Operations			Shareholders		
	Current SR'000	Non-current SR'000	Total SR'000	Current SR'000	Non-current SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	119,263	-	119,263	-	-	-
Amount due to related parties	927	-	927	-	-	-
Management fee payable	18,866	-	18,866	-	-	-
Payables, accruals and other liabilities	30,597	-	30,597	9,455	-	9,455
Re-takaful balances payable, net	66,500	-	66,500	-	-	-
Gross unearned contributions	267,427	13,138	280,565	-	-	-
Unearned re-takaful commission income	5,967	-	5,967	-	-	-
Provision for Zakat	-	-	-	1,362	6	1,368
Due to takaful operations	-	-	-	202,867	-	202,867
Employees' end of service benefits	-	-	-	-	3,455	3,455
TOTAL LIABILITIES	509,547	13,138	522,685	213,684	3,461	217,145

Liquidity profile

The table below summarizes the maturity profile of the takaful liabilities of the Company based on remaining contractual obligations. For takaful contract liabilities, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contributions have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately and such amounts are classified as due within one year.

21 RISK MANAGEMENT (Continued)

g) Liquidity risk (continued)

Liquidity Profiles (continued)

	31 December 2013					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	**203,576**	**-**	**203,576**	**-**	**-**	**-**
Amount due to related parties	**-**	**-**	**-**	**-**	**-**	**-**
Management fee payable	**11,673**	**-**	**11,673**	**-**	**-**	**-**
Payables, accruals and others	**33,023**	**-**	**33,023**	**8,743**	**-**	**8,743**
Re-takaful balances payable, net	**37,966**	**-**	**37,966**	**-**	**-**	**-**
Unearned re-takaful commission income	**4,264**	**-**	**4,264**	**-**	**-**	**-**
Provision for zakat	**-**	**-**	**-**	**2,369**	**-**	**2,369**
Due to takaful operations	**-**	**-**	**-**	**202,801**	**-**	**202,801**
Employees' end of service benefits	**-**	**-**	**-**	**-**	**4,868**	**4,868**
TOTAL LIABILITIES	**290,502**	**-**	**290,502**	**213,913**	**4,868**	**218,781**

	31 December 2012					
	Takaful Operations			Shareholders		
	Up to one year SR'000	More than one year SR'000	Total SR'000	Up to one year SR'000	More than one year SR'000	Total SR'000
LIABILITIES						
Gross outstanding claims	119,263	-	119,263	-	-	-
Amount due to related parties	927	-	927	-	-	-
Management fee payable	18,866	-	18,866	-	-	-
Payables, accruals and others	30,597	-	30,597	9,455	-	9,455
Re-takaful balances payable, net	66,500	-	66,500	-	-	-
Unearned re-takaful commission income	5,967	-	5,967	-	-	-
Provision for Zakat	-	-	-	1,362	6	1,368
Due to takaful operations	-	-	-	202,867	-	202,867
Employees' end of service benefits	-	-	-	-	3,455	3,455
TOTAL LIABILITIES	242,120	-	242,120	213,684	3,461	217,145

21 RISK MANAGEMENT (Continued)

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the takaful companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SR 100 million
Premium Solvency Margin
Claims Solvency Margin

The Company uses Premium Solvency Margin method for determining its solvency requirements. As at 31 December 2013, the solvency margin is less than the required minimum margin. The Company is in process to improve its capital deficiency through capital raise after approval from the relevant regulatory authorities and completion of respective formal procedures. The Board of Directors is confident that the action plan will improve the solvency margin of the Company.

22 OPERATING SEGMENTS

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, 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 CEO under the related segments and are monitored on a centralised basis.

22 OPERATING SEGMENTS (Continued)

For the year ended 31 December 2013	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Gross contributions written	62,557	437,698	189,407	689,662
Net contributions written	13,005	435,090	107,714	555,809
Net contributions earned	13,511	410,236	82,697	506,444
Policy fee and other income	193	845	-	1,038
Re-takaful commission income	11,836	294	1,205	13,335
Total underwriting revenue	25,540	411,375	83,902	520,817
Gross claims paid	(7,408)	(324,679)	(108,939)	(441,026)
Net claims incurred	(1,680)	(380,429)	(45,698)	(427,807)
Inspection and supervision fees	(205)	(2,174)	(2,494)	(4,873)
Policy acquisition costs	(7,451)	(7,276)	(8,777)	(23,504)
Allowance for doubtful receivables	(197)	(1,378)	(597)	(2,172)
Other expenses	(27)	(190)	(82)	(299)
Other income	-	-	1,891	1,891
Total claims and other expenses	(9,560)	(391,447)	(55,757)	(456,764)
Net underwriting surplus	15,980	19,928	28,145	64,053
Investment income				1,300
Management fee				(65,353)
Net result for the year				-

22 OPERATING SEGMENTS (Continued)

For the year ended 31 December 2012	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Gross contributions written	95,809	379,988	125,067	600,864
Net contributions written	15,104	376,206	54,993	446,303
Net contributions earned	15,187	305,870	85,027	406,084
Policy fee and other income	120	1,164	-	1,284
Re-takaful commission income	12,613	347	-	12,960
Total underwriting revenue	27,920	307,381	85,027	420,328
Gross claims paid	(9,713)	(241,827)	(122,484)	(374,024)
Net claims incurred	(2,847)	(277,620)	(35,674)	(316,141)
Inspection and supervision fees	(339)	(1,894)	(1,683)	(3,916)
Policy acquisition costs	(5,885)	(9,442)	(11,155)	(26,482)
Allowance for doubtful receivables	(327)	(1,298)	(427)	(2,052)
Other expenses	(4)	(17)	(5)	(26)
Total claims and other expenses	(9,402)	(290,271)	(48,944)	(348,617)
Net underwriting surplus	18,519	17,110	36,083	71,711
Investment income				670
Management fee				(72,381)
Net deficit for the year				-

22 OPERATING SEGMENTS (CONTINUED)

As at 31 December 2013	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Takaful operations' assets				
Re-takaful share of outstanding claims	40,494	2,512	21,163	64,169
Re-takaful share of unearned contributions	55,072	535	33,822	89,429
Deferred policy acquisition cost	2,410	1,819	4,602	8,831
Deposit against letter of guarantee	1	12,100	1,000	13,101
Unallocated assets				458,144
Total Assets				633,674
Takaful operations' liabilities				
Outstanding claims	44,578	124,553	34,445	203,576
Unearned contributions	60,422	204,281	78,418	343,121
Unearned commission income	4,109	155	-	4,264
Unallocated liabilities and surplus				82,713
Total liabilities and surplus				633,674

As at 31 December 2012	General SR'000	Motor SR'000	Health SR'000	Total SR'000
Takaful operations' assets				
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 letter of guarantee	-	7,050	1,478	8,528
Unallocated assets				386,248
Total Assets				522,789
Takaful operations' liabilities				
Outstanding claims	25,785	65,638	27,840	119,263
Unearned contributions	58,390	179,380	42,795	280,565
Unearned commission income	5,833	134	-	5,967
Unallocated liabilities and surplus				116,994
Total liabilities and surplus				522,789

23 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 18 Feb 2014, corresponding to 18 Rabi Thani 1435H.

تكافل الراجحي
Al Rajhi Takaful

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 SIX MONTH PERIODS
ENDED 30 JUNE 2014

INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited)
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	6	**269,893**	179,621
Due from shareholders' operations	7	**203,658**	202,801
Contributions receivable, net	9(i)	**143,103**	70,903
Available for sale (AFS) investments		**21,890**	15,945
Advances, prepayments and other assets		**11,704**	1,975
Re-takaful share of outstanding claims		**81,322**	64,169
Re-takaful share of unearned contributions		**69,125**	89,429
Deferred policy acquisition costs		**14,497**	8,831
TOTAL TAKAFUL OPERATIONS' ASSETS		**815,192**	633,674
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balance and cash	6	**56,889**	107,130
Management fee receivable		**36,877**	11,673
Investments at fair value through income statement (FVIS)	9(ii)(c)	**45,921**	42,107
Available for sale (AFS) investments	9(ii)(b)	**18,476**	17,364
Investments held to maturity (HTM)	9(ii)(a)	**106,800**	76,800
Advances, prepayments and other assets		**16,085**	12,654
Statutory deposit	8	**20,000**	20,000
Property and equipment, net		**19,187**	17,517
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		**320,235**	305,245
TOTAL ASSETS		**1,135,427**	938,919

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited)
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS			
TAKAFUL OPERATIONS' LIABILITIES			
Gross outstanding claims		**251,256**	203,576
Management fees payable	9(i)	**36,877**	11,673
Payables, accruals and other liabilities		**18,524**	33,023
Re-takaful balances payable		**36,111**	37,966
Gross unearned contributions		**462,553**	343,121
Unearned re-takaful commission income		**9,829**	4,264
TAKAFUL OPERATIONS' SURPLUS		**815,150**	633,623
Fair value reserve for AFS investments		**42**	51
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		**815,192**	633,674
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY			
SHAREHOLDERS' OPERATIONS' LIABILITIES			
Provision for zakat		**3,142**	2,369
Payables, accruals and other liabilities		**5,441**	8,743
Due to takaful operations		**203,658**	202,801
Employees' end of service benefits		**5,982**	4,868
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES		**218,223**	218,781
SHAREHOLDERS' EQUITY			
Share capital	11	**200,000**	200,000
Accumulated losses		**(98,037)**	(113,585)
Fair value reserve for AFS investments	9(ii)(b)	**49**	49
TOTAL SHAREHOLDERS' EQUITY		**102,012**	86,464
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**320,235**	305,245
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**1,135,427**	938,919

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	For the three month period ended		For the six month period ended	
	30 June 2014 SR'000	30 June 2013 SR'000	30 June 2014 SR'000	30 June 2013 SR'000
Gross contributions written	**238,561**	172,897	**519,425**	381,165
Re-takaful contributions ceded	**(27,211)**	(32,595)	**(58,676)**	(83,100)
Excess of loss	**(1,966)**	(567)	**(3,424)**	(1,127)
NET CONTRIBUTIONS WRITTEN	**209,384**	139,735	**457,325**	296,938
Change in unearned contributions, net	**(38,490)**	(17,224)	**(139,432)**	(61,253)
NET CONTRIBUTIONS EARNED	**170,894**	122,511	**317,893**	235,685
Policy fees and other income	**237**	271	**474**	555
Re-takaful commission income	**1,605**	4,807	**5,096**	8,356
TOTAL UNDERWRITING REVENUE	**172,736**	127,589	**323,463**	244,596
Gross claims paid	**(101,201)**	(120,308)	**(256,727)**	(230,477)
Re-takaful share of claims paid	**20,024**	19,212	**37,680**	34,530
NET CLAIMS PAID	**(81,177)**	(101,096)	**(219,047)**	(195,947)
Movement in outstanding claims, net	**(47,547)**	(10,421)	**(30,527)**	(11,108)
NET CLAIMS INCURRED	**(128,724)**	(111,517)	**(249,574)**	(207,055)
Inspection and supervision fees	**(1,555)**	(1,325)	**(3,760)**	(2,968)
Policy acquisition costs	**(6,320)**	(5,886)	**(11,102)**	(11,980)
Other expenses	**(264)**	(11)	**(489)**	(565)
Other income	**487**	15	**605**	1,891
TOTAL CLAIMS AND OTHER EXPENSES	**(136,376)**	(118,724)	**(264,320)**	(220,677)
NET UNDERWRITING SURPLUS	**36,360**	8,865	**59,143**	23,919
Investment income	**517**	274	**955**	538
Management fee	**(36,877)**	(9,139)	**(60,098)**	(24,457)
Net surplus / deficit for the period	**-**	-	**-**	-
Net surplus / deficit transferred to	**-**	-	**-**	-
shareholders' operations				
NET RESULT FOR THE PERIOD	**-**	-	**-**	-

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	For the three month period ended		For the six month period ended	
	30 June 2014 SR'000	30 June 2013 SR'000	30 June 2014 SR'000	30 June 2013 SR'000
Net result for the period	-	-	-	-
Other comprehensive loss to be reclassified subsequently to the statement of income:				
Net unrealized loss for available for sale investments (note 9(i))	**(3)**	(16)	**(9)**	(52)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(3)**	(16)	**(9)**	(52)

INTERIM STATEMENT OF INCOME
HAREHOLDERS' OPERATIONS (UNAUDITED)

	Note	For the three month period ended		For the six month period ended	
		30 June 2014 SR'000	30 June 2013 SR'000	30 June 2014 SR'000	30 June 2013 SR'000
REVENUE					
Management fee		**36,877**	9,139	**60,098**	24,457
Dividend income		**767**	899	**1,351**	1,405
Net change in investments at FVIS	9(ii)(c)	**162**	2,168	**3,814**	4,125
Special commission income on HTM investments		**501**	587	**996**	1,344
Realised gain on sale of AFS investments		**281**	340	**613**	543
TOTAL REVENUE		**38,588**	13,133	**66,872**	31,874
General and administrative expenses		**(26,625)**	(24,687)	**(50,551)**	(49,681)
INCOME / (LOSS) BEFORE ZAKAT		**11,963**	(11,554)	**16,321**	(17,807)
Provision for zakat		**(447)**	(249)	**(773)**	(550)
NET INCOME / (LOSS) FOR THE PERIOD		**11,516**	(11,803)	**15,548**	(18,357)
BASIC AND DILUTED EARNINGS					
/ (LOSS) PER SHARE (SR)	13	**0.58**	(0.59)	**0.78**	(0.92)

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

	For the three month period ended		For the six month period ended	
	30 June 2014 SR'000	30 June 2013 SR'000	30 June 2014 SR'000	30 June 2013 SR'000
Net income / (loss) loss for the period	**(11,803)**	(11,803)	**15,548**	(18,357)
Other comprehensive income to be reclassified subsequently to the statement of income:				
Net change in fair value of available for sale investments (note 9 (ii) (b))	**7**	7	**-**	44
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(11,796)**	(11,796)	**15,548**	(18,313)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014

	Share capital SR'000	Accumulated losses SR'000	Fair value reserve for AFS investments SR'000	Total SR'000
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) / income for the period	-	(18,357)	44	(18,313)
Balance as at 30 June 2013	200,000	(109,598)	44	90,446
Balance as at 1 January 2014	**200,000**	**(113,585)**	**49**	**86,464**
Net income for the period	**-**	**15,548**	**-**	**15,548**
Total comprehensive income for the period	**-**	**15,548**	**-**	**15,548**
Balance as at 30 June 2014	**200,000**	**(98,037)**	**49**	**102,012**

INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

	For the six month period ended		
	Notes	30 June 2014 SR'000	30 June 2013 SR'000
OPERATING ACTIVITIES			
Net result for the period		-	-
Adjustment for:			
Management fee		60,098	24,457
Allowance for doubtful receivables		185	366
Net surplus before changes in operating assets and liabilities		60,283	24,823
Changes in operating assets and liabilities:			
Due from shareholders' operations		(857)	(1,510)
Contributions receivable		(72,385)	(43,654)
Re-takaful share of outstanding claims		(17,153)	(29,345)
Amount due to related parties		-	(927)
Advances, prepayments and other assets		(9,729)	-
Re-takaful share of unearned contributions		20,304	(20,547)
Deferred policy acquisition costs		(5,666)	919
Deposit against letters of guarantee		4,820	(4,672)
Gross outstanding claims		47,680	40,453
Payables, accruals and other liabilities		(14,499)	(1,502)
Re-takaful balances payable		(1,855)	10,299
Gross unearned contributions		119,432	81,801
Unearned re-takaful commission income		5,565	(2,092)
Management fee paid		(34,894)	(34,184)
Net cash from operating activities		101,046	19,862
INVESTING ACTIVITIES			
Purchase of available for sale investments	9(i)	(470,000)	(132,000)
Sale of available for sale investments	9(i)	464,046	147,463
Net cash (used in) / from investing activities		(5,954)	15,463
INCREASE IN CASH AND CASH EQUIVALENTS		95,092	35,325
Cash and cash equivalents at the beginning of the period		166,520	41,885
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	261,612	77,210
Non - cash supplemental information:			
Changes in fair value of AFS investments 1,341		(9)	(52)

INTERIM STATEMENT OF CASH FLOWS
SHAREHOLDERS' OPERATIONS (UNAUDITED)

	For the six month period ended		
	Notes	30 June 2014 SR'000	30 June 2013 SR'000
OPERATING ACTIVITIES			
Net profit / (loss) for the period		**15,548**	(18,357)
Adjustments for:			
Depreciation		**3,209**	2,827
Management fee		**(60,098)**	(24,457)
Provision for zakat		**773**	550
Employees' end of service benefits, net		**1,114**	650
Net gain on investments at FVIS		**(3,814)**	(4,125)
Net deficit before changes in operating assets and liabilities		**(43,268)**	(42,912)
Changes in operating assets and liabilities:			
Advances, prepayments and other assets		**(3,431)**	(3,229)
Payables, accruals and others liabilities		**(3,302)**	(2,117)
Due to takaful operations		**857**	1,510
Due from related parties		**-**	1,274
		(49,144)	(45,474)
Management fee received		**34,894**	34,184
Net cash used in operating activities		**(14,250)**	(11,290)
INVESTING ACTIVITIES			
Purchase of property and equipment, net		**(4,879)**	(3,470)
Purchase of investments at FVIS	9(ii)(c)	**(11,410)**	(14,282)
Sale of investments at FVIS	9(ii)(c)	**11,410**	12,505
Purchase of AFS investments	9(ii)(b)	**(212,000)**	(223,000)
Sale of AFS investments	9(ii)(b)	**210,888**	208,458
Maturities of HTM investments	9(ii)(a)	**-**	50,000
Purchase of HTM investments	9(ii)(a)	**(30,000)**	(12,000)
Net cash (used in) / from investing activities		**(35,991)**	18,211
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(50,241)**	6,921
Cash and cash equivalents at beginning of the period	6	**107,130**	109,740
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**56,889**	116,661
Non cash supplemental information:			
Changes in fair value of AFS investments		**-**	44

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 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.

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 2013. 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 interim results are not an indication of the company's 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's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. 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.

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 2013, 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:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Company.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. It states 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.

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

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

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company expects that IFRIC 21 will not have material financial impact in these financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

6 BANK BALANCES AND CASH

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Takaful Operations	Shareholders Operations	Takaful Operations	Shareholders Operations
Cash in hand and at banks	**261,612**	**56,889**	166,520	107,130
Cash and cash equivalents in the	**261,612**	**56,889**	166,520	107,130
statements of cash flows				
Deposit against letters of guarantee (a)	**8,281**	**-**	13,101	-
	269,893	**56,889**	179,621	107,130

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

7 CONTRIBUTIONS RECEIVABLE, NET

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'00
Due from policyholders		
- External policyholders	**76,035**	54,755
- Related parties (note 10(a))	**82,201**	31,096
Gross contributions receivable	**158,236**	85,851
Allowance for doubtful receivables	**(15,133)**	(14,948)
	143,103	70,903

Allowance for doubtful receivables includes provision of SR 1,698 thousand (2013: SR 1,275 thousand) against receivable from related parties.

8 - STATUTORY DEPOSIT

Statutory deposit amounting to SR 20 million (31 December 2013: 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 year end comprises investment in a commodity fund. The movement in AFS investments is set out below:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'00
At the beginning of the period / year	**15,945**	30,200
Purchased during the period / year	**470,000**	438,500
Sold during the period / year	**(464,046)**	(452,702)
	21,899	15,998
Net unrealised loss for the period / year	**(9)**	(53)
At the end of the period / year	**21,890**	15,945

The net accumulated unrealised gain amounting to SR 42 thousand (31 December 2013: SR 51 thousand) is presented within Takaful operations' surplus.

(ii) SHAREHOLDERS' OPERATIONS

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

HTM amounting to SR 106.8 million (31 December 2013: SR 76.8 million) comprise of 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 year in HTM is set out below:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'00
At the beginning of the period / year	**76,800**	112,710
Purchased during the period / year	**30,000**	88,800
Maturities during the period / year	**-**	(124,710)
At the end of the period / year	**106,800**	76,800

(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 / year in AFS is set out below:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'00
At the beginning of the period / year	**17,364**	2,572
Purchased during the period / year	**212,000**	459,500
Sold during the period / year	**(210,888)**	(444,757)
	18,476	17,315
Net change in fair values during the period / year	**-**	49
At the end of the period / year	**18,476**	17,364

AFS investments as at 30 June 2014 includes an investment amounting to SR 1.9 million (31 December 2013: 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.

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

FVIS investments comprise of 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:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'00
At the beginning of the period / year	**42,107**	31,918
Purchased during the period / year	**11,410**	20,809
Sold during the period / year	**(11,410)**	(19,032)
	42,107	33,695
Net change in fair values during the period / year	**3,814**	8,412
At the end of the period / year	**45,921**	42,107

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 periods ended 30 June 2014 and 2013 and balances as at 30 June 2014 and 31 December 2013:

Related party	Nature of transaction	Amount of transactions for the period ended		Balance as at	
		30 June 2014 (Unaudited) SR'000	30 June 2013 (Unaudited) SR'000	30 June 2014 (Unaudited) SR'000	31 Dec. 2013 (Audited) SR'000
Al Rajhi Insurance	(Expenses paid) / reimbursement from				
Company BSC	on behalf of related party				
(shareholder)	(Takaful operations)	**(500)**	927	**(100)**	400
Al Rajhi Bank	Contribution - policies written	**319,085**	217,523	**46,371**	18,332
(shareholder)					
Affiliate companies	Contribution - policies written	**38,493**	18,936	**35,830**	12,764
	Contributions receivable (note 7)			**82,201**	31,096
Al Rajhi Bank	Claims incurred and notified during the year	**193,806**	147,949	**114,703**	74,813
(shareholder)					
Al Rajhi Bank	Bank balance (Takaful operations)			**256,185**	166,520
(shareholder)	Bank balance			**55,631**	106,098
	(Shareholders' operations)				
	Bank balances			**311,816**	272,618
Al Rajhi Capital	Available for sale investments managed				
(Affiliate)	by the affiliate				
	a) Takaful operations			**21,890**	15,945
	b) Shareholders' operations			**16,552**	15,440
				38,442	31,385
Al Rajhi Capital	Income received from sale of investment				
(Affiliate)	in Al Rajhi Capital commodity fund				
	a) Takaful operations	**955**	537		
	b) Shareholders' operations	**613**	543		
		1,568	1,080		
Al Rajhi Bank	Investment in shares of Al Rajhi Bank			**4,028**	5,041
(shareholder)					
Al Rajhi Takaful Agency	Commissions	**(684)**	(339)	**(436)**	(505)
(ARTA)					

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 period / year is as follows:

	For the period ended	
	30 June 2014 (Unaudited) SR'000	30 June 2013 (Unaudited) SR'000
Salaries and benefits of key management personnel	**3,408**	3,457
Shariah committee remuneration	**114**	129
	3,522	3,586

11 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 20 million issued and fully paid ordinary shares of SR 10 each.

The Company has received SAMA's conditional approval on 23 Jumad Thani 1435H (corresponding to 23 April 2014) for increasing the share capital from SR 200 million to SR 400 million through a rights issue. The Board of Directors in a meeting held on 27 Jumad Thani 1435 (corresponding to 27 April 2014) has approved the capital increase. The Company is in process of completing the due processes with the regulators to obtain the final approval for increase in share capital.

12 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. 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, 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 CEO under the related segments and are monitored on a centralised basis.

	For the three month period ended 30 June 2014 (Unaudited)				
	General	Motor	Health	Protection &Saving	Total
Gross contributions written	**31,157**	**162,727**	**43,584**	**1,093**	**238,561**
Net contribution written	**4,998**	**161,037**	**42,625**	**724**	**209,384**
Net contributions earned	5,111	124,752	40,396	635	170,894
Policy fee and other income	56	181	-	-	237
Re-takaful commission income	1,432	173	-	-	1,605
Total underwriting revenue	**6,599**	**125,106**	**40,396**	**635**	**172,736**
Net claims incurred	(2,300)	(99,278)	(27,056)	(90)	(128,724)
Inspection and supervision fees	(87)	(808)	(654)	(6)	(1,555)
Policy acquisition costs	(1,544)	(1,606)	(3,167)	(3)	(6,320)
Other expenses	-	-	-	(264)	(264)
Other income	-	24	463	-	487
Total claims and other expenses	**(3,931)**	**(101,668)**	**(30,414)**	**(363)**	**(136,376)**
Net underwriting surplus	**2,668**	**23,438**	**9,982**	**272**	**36,360**
Investment income					517
Management fee					**(36,877)**
Net result for the period					-

12 SEGMENTAL INFORMATION (continued)

Operating Segments	For the three month period ended 30 June 2013 (Unaudited)				
	General	Motor	Health	Protection &Saving	Total
Gross contributions written	15,457	111,494	45,946	-	172,897
Net contribution written	1,528	111,077	27,130	-	139,735
Net contributions earned	3,407	100,804	18,300	-	122,511
Policy fee and other income	63	208	-	-	271
Re-takaful commission income	4,742	65	-	-	4,807
Total underwriting revenue	8,212	101,077	18,300	-	127,589
Net claims incurred	(629)	(96,890)	(13,998)	-	(111,517)
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
Total claims and other expenses	(3,391)	(98,757)	(16,576)	-	(118,724)
Net underwriting surplus	4,821	2,320	1,724	-	8,865
Investment income					274
Management fee					(9,139)
Net result for the period					-

12 SEGMENTAL INFORMATION (continued)

Operating Segments	For the six month period ended 30 June 2014 (Unaudited)				
	General	Motor	Health	Protection &Saving	Total
Gross contributions written	**70,125**	**319,915**	**127,900**	**1,485**	**519,425**
Net contribution written	**13,446**	**317,247**	**125,692**	**940**	**457,325**
Net contributions earned	8,681	236,018	72,412	782	317,893
Policy fee and other income	102	372	-	-	474
Re-takaful commission income	4,651	445	-	-	5,096
Total underwriting revenue	**13,434**	**236,835**	**72,412**	**782**	**323,463**
Net claims incurred	(2,493)	(206,002)	(40,928)	(151)	(249,574)
Inspection and supervision fees	(242)	(1,592)	(1,919)	(7)	(3,760)
Policy acquisition costs	(4,397)	(2,284)	(4,418)	(3)	(11,102)
Other expenses	-	(10)	(187)	(292)	(489)
Other income	-	-	605	-	605
Total claims and other expenses	**(7,132)**	**(209,888)**	**(46,847)**	**(453)**	**(264,320)**
Net underwriting surplus	**6,302**	**26,947**	**25,565**	**329**	**59,143**
Investment income					955
Management fee					**(60,098)**
Net result for the period					-

12 SEGMENTAL INFORMATION (continued)

Operating Segments	For the six month period ended 30 June 2013 (Unaudited)				
	General	Motor	Health	Protection &Saving	Total
Gross contributions written	39,037	226,996	115,132	-	381,165
Net contribution written	8,362	225,917	62,659	-	296,938
Net contributions earned	9,533	192,059	34,093	-	235,685
Policy fee and other income	118	437	-	-	555
Re-takaful commission income	8,226	130	-	-	8,356
Total underwriting revenue	17,877	192,626	34,093	-	244,596
Net claims incurred	(1,187)	(184,330)	(21,538)	-	(207,055)
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
Total claims and other expenses	(6,584)	(189,528)	(24,565)	-	(220,677)
Net underwriting surplus	11,293	3,098	9,528	-	23,919
Investment income					538
Management fee					(24,457)
Net result for the period					-

Takaful operations' assets	As at 30 June 2014 (Unaudited				
	General	Motor	Health	Protection &Saving	Total
Re-takaful share of outstanding claims	59,308	2,398	19,557	59	81,322
Re-takaful share of unearned contributions	60,064	811	7,942	308	69,125
Deferred policy acquisition costs	5,062	3,420	6,014	1	14,497
Deposit against letters of guarantee (note 6)	-	7,781	500	-	8,281
Unallocated assets					173,225
Total assets					641,967
Takaful operations' liabilities					815,192
Gross outstanding claims	63,901	143,294	43,851	210	251,256
Gross unearned contributions	70,123	285,786	105,818	826	462,553
Unearned re-takaful commission income	9,829	-	-	-	9,829
					723,638
Unallocated liabilities and surplus					91,554
Total liabilities and surplus					815,192

Takaful operations' assets	As at 31 December 2013 (Audited)				
	General	Motor	Health	Protection &Saving	Total
Re-takaful share of outstanding claims	40,494	2,398	21,163	-	64,169
Re-takaful share of unearned contributions	55,072	811	33,822	-	89,429
Deferred policy acquisition cost	2,410	3,420	4,602	-	8,831
Deposit against letters of guarantee (note 6)	1	7,781	1,000	-	13,101
Unallocated assets					175,530
Total assets					458,144
Takaful operations' liabilities					633,674
Gross outstanding claims	44,578	143,294	34,445	-	203,576
Gross unearned contributions	60,422	285,786	78,418	-	343,121
Unearned re-takaful commission income	4,109	-	-	-	4,264
					550,961
Unallocated liabilities and surplus					82,713
Total liabilities and surplus					633,674

13- BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share for the three and six month periods ended 30th June 2014 and 2013 have been computed by dividing the net income / (loss) for the period by the weighted average number of issued shares (20 million shares) for the three and six month periods ended 30th June 2014 and 2013 respectively.

14 - CONTINGENT LIABILITIES

As at 30 June 2014 , the Company's bankers have issued letters of guarantee of SR 8.3 million (2013: SR 13.1 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 6(a).

15 - 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 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.

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 amouting to SR 106.8 million (2013: SR 76.8 million), earn fixed rates of income 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 (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.

As at 30 June 2014	Level 1 SR' 000	Level 3 SR' 000	Level 3 SR' 000	Total SR' 000
Financial investments available for sale (Takaful operations)	-	21,890	-	21,890
Financial assets held as FVIS (Shareholders' operations)	45,921	-	-	45,921
Financial investments available for sale (Shareholders' operations)	-	16,552	-	16,552
Total	45,921	38,442	-	84,363

As at 30 June 2013	Level 1 SR' 000	Level 3 SR' 000	Level 3 SR' 000	Total SR' 000
Financial investments available for sale (Takaful operations)	-	15,945	-	15,945
Financial assets held as FVIS (Shareholders' operations)	42,107	-	-	42,107
Financial investments available for sale (Shareholders' operations)		15,440	-	15,440
Total	42,107	31,385	-	73,492

The unlisted securities amounting to SR 1,924 thousand were stated at cost in the absence of active markets or other means of reliably measuring their fair value

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

During the three-month period ended 30 June 2014 , there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value increase of SR 3,814 thousand (30 June 2013 : SR 4,125 thousand) in respect of FVIS investments was recorded in interim statement of income – shareholders' operations.

16 - APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 18 Ramdan 1435H corresponding to 15 July 2014.

تكافل الراجحي
Al Rajhi Takaful