RIGHTS ISSUE
PROSPECTUS

Buruj
بـــروج للتـأمين التعـاونـي
Buruj Cooperative Insurance

Buruj Cooperative Insurance Company

Offering of 12,000,000 Ordinary Shares through a rights issue at an Offer Price of SAR 10 per Share, representing an increase in the Capital by SAR 120,000,000, which is 92.3% of Buruj current Share Capital).

Buruj Cooperative Insurance Company, Saudi Joint stock company, established in accordance with Royal Decree No. M/72, dated 28/10/1429H (corresponding to 29/10/2008G) and the Ministerial Resolution No. 313, dated 27/10/1429H (corresponding to 28/10/2008G) with Commercial Registration No. 1010280606, dated 10/02/1431H (corresponding to 26/01/2010G) issued from Riyadh.

First Offering Period: From 18/06/1436H (corresponding to 07/04/2015G) to 27/06/1436H (corresponding to 16/04/2015G)

Second Offering Period: From 30/06/1436H (corresponding to 19/04/2015G) to 02/07/1436H (corresponding to 21/04/2015G)

Buruj Cooperative Insurance Company ("Buruj", "BCIC" or the "Company") is a Saudi joint stock company established in accordance with Royal Decree No. M/72, dated 28/10/1429H (corresponding to 29/10/2008G) and the Ministerial Resolution No. 313, dated 27/10/1429H (corresponding to 28/10/2008G) with Commercial Registration No. 1010280606, dated 10/02/1431H (corresponding to 26/01/2010G) issued from Riyadh. The current Share Capital of the Company is SAR 130,000,000 consisting of 13,000,000 Ordinary Shares with a nominal value of SAR 10 each (the "Existing Shares" with each is an "Existing Share"), all of which are fully paid.

Based on the Board of Directors recommendation in its meeting convened in Riyadh on 28/11/1433H (corresponding to 14/10/2012G) to increase the Company's Share Capital from SAR 130,000,000 to SAR 250,000,000 after obtaining the necessary regulatory approvals. At the Company's Extraordinary General Meeting held on 12/06/1436H (corresponding to 01/04/2015G), the Shareholders have approved the Board of Director's recommendation to increase the Capital.

The rights issue (the "Offering") consists of the issuance of 12,000,000 Ordinary New Shares (the "New Shares" or "Offer Shares") at an Offer Price of SAR 10 per share to increase the Company's Share Capital from SAR 13,000,000 Ordinary Shares to 25,000,000 Ordinary Shares.

The Offering will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to Qualifying (Eligible) Shareholders registered in the Company's Shareholders Registered as at the close of trading on the date of the EGM being 12/06/1436H (corresponding to 01/04/2015G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders› accounts within two (2) days of the Eligibility Date in the ratio of one (1) Right for every 1.083 share held as of the Eligibility Date. Each Right grants its holder the eligibility to subscribe in one New Share at the Offer Price.

Registered Shareholders and the investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from 18/06/1436H (corresponding to 07/04/2015G), until the close of trading on 27/06/1436H (corresponding to 16/04/2015G), (the "Trading Period").

The subscription for the New Shares will be in two phases:

(a) First Offering Period (Phase 1): From 18/06/1436H (corresponding to 07/04/2015G), until the end of the day on 27/06/1436H (corresponding to 16/04/2015G), (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 the public may trade in the Rights.

(b) Second Offering Period (Phase 2): From 30/06/1436H (corresponding to 19/04/2015G), until the end of the day on 02/07/1436H (corresponding to 21/04/2015G), (the "Second Offering Period"), during which all Right holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe.

Subscription Application Forms may be submitted during both the First Offering Period and Second Offering Period at any of the branches of the Receiving Entities (the "Receiving Entities") listed in pages (h) 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 on 07/07/1436H (corresponding to 26/04/2015G), until the following day at 10:00 AM on 08/07/1436H (corresponding to 27/04/2015G). 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 17/07/1436H (corresponding to 06/05/2015G).

In the event that the Rump Shares are 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 250,000,000 (divided into 25,000,000 Shares). The net proceeds of the Offering will be mainly utilized to meet company's financial solvency requirements (Please see section "Use of Proceeds"). The final allocation will be announced on 10/07/1436H (corresponding to 29/04/2015G) at the latest ("Allocation Date") (Please see section "Subscription Terms and Conditions").

None of the shareholders holds a controlling interest stake in the Company. None of the Shareholders also holds 5% or more of its Shares with the exception of: Gulf Insurance Company, which holds 22.5% of the Company's Shares; Gulf Medical Co. Ltd.; Batterjee Industrial Group Co. Ltd..;United Yusuf M. Naghi Co. Ltd. , where each individual company owns 5% of the Company›s Shares, as described in page (j) of this Prospectus. Falcom Financial Services Company underwrites all of the Offer Shares of the Company (see "Underwriting" 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 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" and section "Risk Factors - Dividends Payment"). The Company listed 13,000,000 shares on 01/03/1431H corresponding to 15/02/2010G in Tadawul. The founding shareholders subscribed for 60% of the Company's Share Capital while the remaining 40% had been offered to the Public.

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 registration and admission of the New Shares to Listing 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 extra subscriptions (see "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.

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, Lead Manager and Underwriter

FALCOM فالكم

Receiving Entities

samba سامبا | Banque Saudi Fransi البنك السعودي الفرنسي | riyad bank بنك الرياض | NCB الأهلي | FALCOM فالكم

This Prospectus is dated 12/06/1436H (corresponding to 01/04/2015G)

BURUJ

بـــروج للتـأمين التعـاونـي

Buruj Cooperative Insurance

Important Notice

This Prospectus provides details of information relating to Buruj Cooperative Insurance Company and the offered New Shares. 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 Company, lead manager and the branches of the Receiving Entities or by visiting the Company's website (www.burujinsurance.com), Falcom's website (www.falcom.com.sa), Capital Market Authority's (website: (www.cma.org.sa) and the Exchange (Tadawul) website (www.tadawul.com.sa).

The Company has appointed Falcon Financial Services Company ("Falcom") to act as the Financial Advisor ("Financial Advisor"), Lead Manager ("Lead Manager") and sole Underwriter ("Underwriter") in relation to the Offering of the Offer Shares referred to herein.

This prospectus includes information given in compliance with the Listing Rules of the CMA. The directors, whose names appear on page (d), 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. Neither CMA nor the Exchange 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 (F) and (G) of this Prospectus (the "Advisors"), 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. 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.
Trading of Rights is directed at the Registered Shareholders and the public during the period from 18/06/1436H (corresponding to 07/04/2015G), until the end of trading on the day of 27/06/1436H (corresponding to 16/04/2015G) provided that the subscription in the New Shares shall be carried out through two phases:

a) First Offering Period (Phase 1): From 18/06/1436H (corresponding to 07/04/2015G), until the end of the day on 27/06/1436H (corresponding to 16/04/2015G), (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 the public may trade in the Rights.

b) Second Offering Period (Phase 2): From 30/06/1436H (corresponding to 19/04/2015G), until the end of the day on 02/07/1436H (corresponding to 21/04/2015G), (the "Second Offering Period"), during which all Rights' holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Remaining 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 on 07/07/1436H (corresponding to 26/04/2015G), until the following day at 10:00 AM on 08/07/1436H (corresponding to 27/04/2015G). 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 17/07/1436H (corresponding to 06/05/2015G). Votes in the Extraordinary General Assembly shall be calculated on the basis of one vote per share. For the Extraordinary General Assembly to issue its decision to increase the Company's Capital, it shall be voted with a majority of three-quarters (3/4) of the shares represented at the meeting.

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. The second meeting shall be deemed valid if the number of shares represented therein does not fell below 25% of the Share Capital.

A call for convening of an Extraordinary General Assembly of Shareholders on 12/06/1436H (corresponding 01/04/2015G) has been published to approve the rights issue to increase the Share Capital of the Company according to the regulations of the Ministry of Commerce and Industry in this regard.

Industry and Market Data

In this Prospectus, information and data regarding Saudi economy and insurance industry have been obtained from different sources believed to be reliable. Neither the Company nor Falcom or the Company's Consultants whose names appear in pages (F & G) of this Prospectus have independently verified such information and no representation is made with respect to the accuracy or completeness of any of this information.

The referenced sources of information on the industry and market include:

Saudi Arabian Monetary Agency
Maathar Street - Riyadh
P.O. Box 2992, Riyadh 11169
Saudi Arabia
Tel: +966 11 4633000
Fax: +966 11 4663966
Website: www.sama.gov.sa

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1372H (1952G).

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government;
- Managing the Kingdom's foreign currency reserves;
- Conducting monetary policy to promote price and exchange rate stability;
- Promoting growth and ensuring the soundness of the financial system.
- Supervising commercial banks and insurance companies.

The information obtained from SAMA and used in this Prospectus relating to the Saudi National Economy is publicly available and obtainable from internet; therefore no consent has been obtained to use such information.

Central Department of Statistics & Information
Riyadh –AL-Muraba' destrict,, Prince Abdul Rahman Bin Abdul Aziz Street
P.O. Box 3735, Riyadh 11481
Saudi Arabia
Tel: +966 11 4014138
Fax: +966 11 4059493
Email: info@cds.gov.sa
Website: www.cdsi.gov.sa

Established under the General Statistics Law of the Kingdom promulgated by Royal Decree No. 23, dated 07/12/1379H, and affiliated to the Ministry of Planning, and is the only official statistical source of the kingdom, which is responsible for providing government departments, and public and private institutions and individuals with official statistical data and information.

Ministry of Finance, Kingdom of Saudi Arabia
Riyadh – King Abdul Aziz Road -
Riyadh 11177
Saudi Arabia
Tel: +966 11 4050000
Fax: +966 11 6055401
Email: www.mof.gov.sa

Ministry of Finance (MOF) was the second ministry formed in the Kingdom in 1351H. MOF undertakes the following tasks:

- Supervising implementation of the government's fiscal policy and monitoring its implementation by the relevant agencies.
- Preparing the government's budget, discussing it with government agencies, and monitoring its implementation.
- Controlling the current accounts between the Ministry of Finance and all other government agencies.
- Monitoring the pre-disbursement phase of budgetary funds for all government agencies.
- Supervising government revenue collection activities and ensuring that they comply with the relevant rules and regulations.
- Supervising the annual closing of the government's accounts and expenditures.
- Supervising and protecting government's properties.
- Representing the government in international and regional economic and financial institutions, monitoring international financial and economic developments, and preparing the necessary studies and reports.
- Implementing the government's resolutions with respect to external assistance.
- Monitoring implementation of the government's policy for providing loans to individuals and national corporations for various developmental activities through its banks and funds, including the Agricultural Bank, the Credit Bank, the Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

Financial and Statistical Information

The audited financial statements for the financial periods ended on 31 December 2011G, and 2012G and 2013G and the notes thereto have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS) and audited in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The un-audited financial statements for the period ended on 30 June 2014G were prepared as per the Accounting Standard No. 34 (Interim Financial Reports) and were reviewed on a limited basis as per the Accounting Principles issued by SOCPA.

Audit of financial statements for the years 2011G, 2012G and 2013G has been conducted by Ernst & Young and Al Bassam Certified Accountants & Consultants, while the audit of the interim financial statements for the period ended on 30 June 2014G has been conducted by Ernst & Young and Al Bassam and Al Nemer Certified Public Accountants (Joint Accountants). The Company publishes its financial statements in Saudi Arabian Riyals ("SAR").

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions of the Company based on its market experience as well as the publically available market data. 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 to the Official List, 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 and other 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

Board Members (Directors)

SN	Name	Position	Nationality	Age	Membership Capacity Executive/ Non-executive	Membership Capacity Independent/ Non-Independent	Date of Membership	Representing	Equities			
									direct	%	Indirect	%
1	Yaser Yousef Mohammed Naghi	Chairman	Saudi	52	Non-executive	Non independent	7.1.2013	CigalahTrading Est.	586000	4.5%	292,500***	2.25%
2	Khaled Saud Abdul Aziz Al Hasan	Member	Kuwaiti	60	Executive	Non-independent	7.1.2013	Gulf Insurance Co.	1000	0.01%	-	-
3	Ibrahim Mohammed Ibrahim Baterjee	Member	Saudi	42	Non-executive	Non-independent	7.1.2013	Al Baterjee Industrial Group	1000	0.01%	65,000****	
4	Raafat Atiya Hasan Al Salamoni	Member	Egyptian	64	Non-Executive	Non-Independent	7.1.2013	Gulf Insurance Co.**	1.000	0.01%	-	-
5	Abdul Aziz Fahad Mohammed Al Rashed	Member	Saudi	65	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
6	Zeyad Bassam Mohammed Al Bassam	Member	Saudi	48	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
7	Adel Ali Hasan Al Sayed	Member	Saudi	52	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
	Total								592000	4.56%	357,500	2.75%

Source: The Company

** Includes membership guarantee shares

** 1000 shares of Gulf Insurance Co. portfolio was allocated to Board member, Mr. Rafat Attiya Hasan Al Salamony to guarantee his membership

*** arising from his ownership in United Yousef Mohammed Abdulwahab Naghi Co. Ltd and Gulf Medical Company Ltd.

**** Arising from his ownership in Al Battarjee Industrial Group Company

Company Address

Buruj Cooperative Insurance Company
Sulaimaniya District – Canary Center- Riyadh
P.O. Box 51855, Riyadh 11553
Saudi Arabia
Tel: +966 (11) 2938383
Fax: +966 (11) 2172350
E-mail: invest@ burujinsurance.com
Website: www.burujinsurance.com

Company Representatives

Name: Abdul Aziz Fahad Al-Rashed
Position: Member of the Board of Directors
Sulaimaniya District – Canary Complex - Riyadh
P.O. Box 51855, Riyadh 11553
Saudi Arabia
Tel: +966 (11) 2938383
Fax: +966 (11) 2172350
E-mail: afmr@windowslive.com
Website: www.burujinsurance.com

Name: Samer Kanj
Position: General Manager
Buruj Cooperative Insurance Company
Sulaimaniya District – Canary Complex - Riyadh
P.O. Box 51855, Riyadh 11553
Saudi Arabia
Tel: +966 (11) 2938383
Fax: +966 (11) 2172350
E-mail: skanj@ burujinsurance.com
Website: www.burujinsurance.com

Board Secretary

Name: Mohammad Mustafa Bin Siddiq
Buruj Cooperative Insurance Company
Sulaimaniya District – Canary Center- Riyadh
P.O. Box 51855, Riyadh 11553
Saudi Arabia
Tel: +966 (11) 2938383
Fax: +966 (11) 2172350
E-mail: msiddiq@burujinsurance.com
Website: www.burujinsurance.com

Stock Exchange

Saudi Stock Market (Tadawul)
Abraj Atta'awuneya North Tower
700 King Fahad Road
P.O. Box 60612
Riyadh, 11555
Kingdom of Saudi Arabia
Tel: (966) 11 218 9999
Fax: (966) 11 218 9090
E-mail: webinfo@tadawul.com.sa
Website: www.tadawul.com.sa

Advisors

Financial Advisor, Lead Manager and Underwriter

Falcom Financial Services Company
Olayya Main Road - Riyadh
P.O. Box 884, Riyadh 11421
Saudi Arabia
Tel: 8004298888
Fax: +966 (11) 205 4831
E-mail: moath.alkhasawneh@falcom.com.sa
Website: www.falcom.com.sa

FALCOM فالكم

Legal Advisor

Abdulaziz Alassaf and Partners Law Firm
Kingdom Tower, Floor 24, King Fahd Road
P.O. Box 90217 Riyadh 11613
Kingdom of Saudi Arabia
Tel: +966 11 2112000
Fax: +966 11 2112727
E-mail: aalmasoud@aaairm.com
Website: www.aaairm.com

عبدالعزيز العساف ومشاركوه
محامون ومستشارون
Abdulaziz Alassaf & Partners
Law Firm

Auditors

Ernst & Young (Certified Auditors)
Al Faisaliah Tower
King Fahd Road
P.O. Box 2732 Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 11 2734740
Fax: +966 11 2734730
E-mail: riyadh@sa.ey.com
Website: www.ey.com

EY

Al Bassam Certified Accountants & Advisors
Head Office: 96th Floor, Al-Mohaisin Building
King Abdul Aziz Road, Malaz, Riyadh
P.O. Box 69658, Riyadh 11557
Kingdom of Saudi Arabia
Tel:+966 11 2065 333
Fax:+966 11 2065 444
E-mail: ibrahim.albassam@abc-albassam.com
Website: www.abc-albassam.com

UHY البسام
محاسبون قانونيون وإستشاريون

Al Bassam and Alnemer Certified Accountants & Advisors (Joint Accountants)
Salahuddin Street, Malaz, Riyadh
P.O. Box 28355, Riyadh 11437
Kingdom of Saudi Arabia
Tel:+966 11 2065 333
Fax:+966 11 2065 444
E-mail: ibrahim.albassam@abc-albassam.com
Website: www.aacpa-sa.com

المحاسبون المتحالفون
البسام والنمر محاسبون قانونيون

Financial Due Care Consultant	
Deloitte Transaction Services LLC Tawuniya Towers, North Tower King Fahd Road, 12th Floor P.O. Box 54251 Riyadh 11514 Kingdom of Saudi Arabia Tel: +966 11 2888600 Fax: +966 11 2888601 E-Mail : mpierce@deloitte.com Website: www.deloitte.com	Deloitte.
Actuarial Expert	
Manar Sigma Financial Consulting P.O. Box 341905, Riyadh 11323 Saudi Arabia Tel: +966 11 2113344 Fax: +966 11 2112434 E-Mail : chris.symeonidis@manarsigma.com Website: www.manarsigma.com	Manar Sigma Financial Consulting

Note: All the aforementioned Advisors/consultants have given and not withdrawn their written consent to the publication of their names and logos in the Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

Receiving Entities

Falcom Financial Services Company
Olayya Road - Riyadh
P.O. Box 884, Riyadh 11421
Saudi Arabia
Tel: 8004298888
Fax: +966 (11) 205 4831
E-mail: moath.alkhasawneh@falcom.com.sa
Website: www.falcom.com.sa

The National Commercial Bank
King Abdul Aziz Road Jeddah
P.O. Box 3555, Jeddah 21481
Saudi Arabia
Tel: +966 (12) 649 3333
Fax: +966 (12) 643 7426
E-Mail : contactus@alahli.com
Website: www.alahli.com

Riyad Bank
King Abdul Aziz Road - Riyadh
P.O. Box 22622, Riyadh 11416
Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 404 2618
E-Mail: customercare@riyadbank.com
Website: www.riyadbank.com.sa

Banque Saudi Fransi
Maathar Street - Riyadh
P.O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 (11) 404 2222
Fax: +966 (11) 402 2311
E-Mail: communications@alfransi.com.sa
Website: www.alfransi.com.sa

Samba Financial Group
King Abdul Aziz Road - Riyadh
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel: +966 (11) 477 4770
Fax: +966 (11) 479 9402
E-Mail: customercare@samba.com
Website: www.samba.com

Company's Key Commercial Banks

Riyad Bank King Abdul Aziz Road - Riyadh P.O. Box 22622, Riyadh 11416 Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 E-mail: customercare @riyadbank.com Website: www.riyadbank.com.sa	بنك الرياض riyad bank
Al Rajhi Bank Olayya Road - Riyadh P.O. Box 28 Riyadh 11411 Saudi Arabia Tel: (966) 11 462 9922 Fax: (966) 11 462 4311 E-mail: contactcenter@alrajhibank.com.sa Website: www.alrajhibank.com.sa	Al Rajhi Bank مصرف الراجحي
Banque Saudi Fransi Maathar Street - Riyadh P.O. Box 56006, Riyadh 11554 Saudi Arabia Tel: +966 (11) 404 2222 Fax: +966 (11) 401 2311 E-mail: communications@alfaransi.com.sa Website: www.alfransi.com.sa	البنك السعودي الفرنسي Banque Saudi Fransi
SABB Prince Abdul-Aziz Ben Musaed bin Jalawi Ben Jalawi P.O. Box 9084 Riyadh 11413 Saudi Arabia Tel: (966) 11 405 0677 Fax: (966) 11 405 0660 Email: sabb@sabb.com.sa Website: www.sabb.com.sa	SABB ساب

Summary of the Offering

Recipients of this Prospectus should read it fully before taking a decision to invest in the shares offered under this Prospectus,

<table>
<tr><td>The Company</td><td>Buruj Cooperative Insurance Company is a Saudi joint stock company established in accordance with Royal Decree No. M/72, dated 28/10/1429H (corresponding to 29/10/2008G) and the Ministerial Resolution No. 313, dated 27/10/1429H (corresponding to 28/10/2008G) with Commercial Registration No. 1010280606, dated 10/02/1431H (corresponding to 26/01/2010G) issued from Riyadh.</td></tr>
<tr><td>Summary of Company Activities</td><td>The main activity of the Company is conducting cooperative insurance business and all related activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, as well as the regulations and rules in force in Saudi Arabia. The Company shall obtain approval of SAMA for the products and services it provides.</td></tr>
<tr><td>Substantial Shareholders</td><td>The Company's Shareholder who owns 5% or more of the Company's Share Capital:
<table>
<tr><th>Company</th><th>Nationality</th><th>* Percentage of Ownership</th><th>Number of shares</th><th>Value (SAR)</th></tr>
<tr><td>Gulf Insurance Company</td><td>Kuwait</td><td>22.5%</td><td>2,925,000</td><td>29,250,000</td></tr>
<tr><td>United Yusuf M. Naghi Co. Ltd.</td><td>KSA</td><td>5%</td><td>650.000</td><td>6.500.000</td></tr>
<tr><td>Gulf Medical Co. Ltd.</td><td>KSA</td><td>5%</td><td>650.000</td><td>6.500.000</td></tr>
<tr><td>Al Battarjee Industrial Group Co. Ltd.</td><td>KSA</td><td>5%</td><td>650.000</td><td>6.500.000</td></tr>
<tr><td>Total</td><td></td><td>37.5%</td><td>48,875,000</td><td>48,750,000</td></tr>
</table>
The above shareholders provided commitment letters to subscribe for the Rights according to their own rights.</td></tr>
<tr><td>Nature of Offering</td><td>Increasing Capital through Rights Issue Offering</td></tr>
<tr><td>Offer Price</td><td>SAR 10 per New Share</td></tr>
<tr><td>Adjusted Price</td><td>The Company's share value in Tadawul has been adjusted to SAR 29.58 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 18.08 in the share value.</td></tr>
<tr><td>Nominal Value</td><td>SAR 10 per New Share</td></tr>
<tr><td>Total number of Existing issued Shares prior to the Offering</td><td>13,000,000 Ordinary Shares</td></tr>
<tr><td>Company's capital prior to the Offering</td><td>SAR 130,000,000</td></tr>
<tr><td>Total Number of Offer Shares</td><td>12,000,000 ordinary shares</td></tr>
<tr><td>Total number of Shares post-Offering</td><td>25,000,000 Shares</td></tr>
<tr><td>Percentage increase in share capital</td><td>92.3%</td></tr>
<tr><td>Total Proceeds of the Offering</td><td>SAR 120,000,000</td></tr>
<tr><td>Offering expenses</td><td>SAR 5,000,000</td></tr>
<tr><td>Net Proceeds of the Offering after deduction of offering expenses</td><td>SAR 115,000,000</td></tr>
<tr><td>Number of Underwritten New Shares</td><td>12,000,000 ordinary shares</td></tr>
<tr><td>Value of Underwritten New Shares</td><td>SAR 120,000,000</td></tr>
</table>

Use of the Offering Proceeds	The Company's Share Capital will be raised from SAR 130,000,000 to SAR 250,000,000. The net Offering proceeds are expected to be SAR 115,000,000 after deducting the Offering expenses of SAR 5,000,000 from the total proceeds of SAR 120,000,000. The Offering expenses include fees of each of the financial advisor, legal advisor, in addition to the Receiving Banks, Lead Manager, Underwriter, the marketing expenses, printing and distribution expenses and other offering related expenses. The Company intends to use these proceeds to cover the solvency requirements. (Please refer to "Use of Offering Proceeds" section of this Prospectus).
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on 12/06/1436H (corresponding to 01/04/2015G).
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM.
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 in 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 offered for subscription by Registered Shareholders resulting from the Capital increase of the Company.
Rights Issue Ratio	1 Rights for every 1.082 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.
Number of Issued Rights	12,000,000 Rights
First Offering Period	From 18/06/1436H (corresponding to 07/04/2015G), until the end of the day on 27/06/1436H (corresponding to 16/04/2015G), (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 the public may trade in the Rights.
Trading Period	Will commence on 18/06/1436H (corresponding to 07/04/2015G) and will last up to and including 27/06/1436H (corresponding to 16/04/2015G). Registered Shareholders and the public may trade in the Rights during this period.
Second Offering Period	From 30/06/1436H (corresponding to 19/04/2015G), until the end of the day on 02/07/1436H (corresponding to 21/04/2015G), (the "Second Offering Period"), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. Offer Shares may not be traded during this period.
Subscription Procedure	Qualifying shareholders who have interest to subscribe to the new offered shares shall complete the application forms and submit to the branches of the Receiving Entities during business hours of the Subscription Period. Subscription may be made through Internet, banking phone or ATMs to the receiving banks that provide any of such services provided that: (1) Eligible Shareholders should have a valid banking account with a Receiving Entity (2) No amendment has been introduced to data related to the subscriber.
Rump Shares	The New Shares which were not subscribed for during the First Offering Period and the Second Offering Period.

Rump Offering	Rump Shares 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 on 07/07/1436H (corresponding to 26/04/2015G), until the following day at 10:00 AM on 08/07/1436H (corresponding to 27/04/2015G). 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 will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.
Listing of/Trading in the Rights Issue	"Tadawul" is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to Buruj's Rights Issue (separate from the Buruj'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 trading of the Rights: 1. Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe in the New Shares. 2. Selling the Rights or a part thereof through the Exchange. 3. Purchasing additional Rights on the Exchange. 4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering. The public 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 Buruj Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Therefore, the Rights trading will end with 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 offer 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 Entities' branches or by subscribing electronically through the Receiving Entities offering such services to Applicants. Eligible Persons may exercise their Rights as follows: 1- During the First Offering Period, 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 the public may trade in the Rights. 2- During the Second Offering Period, all Rights' holders, whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. No trading of Rights shall take place in this period. In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.
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.
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares on 17/07/1436H (corresponding to 06/05/2015G) at the latest (please see "Subscription Terms and Conditions"). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).

Shares' Dividends	The New Shares will be entitled to receive their portion of any dividends declared by the Company for future years for the period from the commencement of the Offering and for the following financial years.
Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Shares trading	Trading in the Rights on Tadawul is anticipated to start immediately after final allocation of shares and completion of all formalities.
Risk Factors	There are certain risks relating to investment in the Offering. These risks can be generally categorized into (a) risks related to the Company and its operations; (b) risks related to the industry of regulatory environment; and (c) risks related to the Shares. These risks have been presented in the Section entitled ("Risk Factors") in this Prospectus.
Previously listed shares	The Company has listed 13,000,000 ordinary shares in Tadawul on 1/3/1431G (corresponding to 15/2/2010G). The founding shareholders subscribed for 60% of the Company's share capital while the remaining 40% were publicly offered. The number of free shares is 6,045,000 as at the date of this Prospectus. The Company is committed to announcing any change in holdings of major shareholders.
Strategic Partners	A Strategic Partner is a company (or group of companies) that enjoys technical, technological and managerial experience, marketing activity, financial capabilities and added value from all aspects to become a partner in the business, activity or industry so that it will develop such business, activity or industry and provide solutions to the problems facing it and then assumes a large and active role in its administration. This is represented in Gulf Insurance Company (a Kuwaiti joint stock company), which owns a percentage of (22.5%) of the Company's shares
Restriction on the Rights	There are no restrictions on subscription by of the Founding Shareholders for the new rights issue shares. The Founding Shareholders who hold 5% or more (including Strategic Partner GIC) provided commitment letters to subscribe for their full share in the Rights. The Strategic Partner addressed its commitment letter to SAMA, while the other major shareholders (Gulf Medical Co. Ltd., BMC Industrial Group Co. and Yusuf Mohammed Abdulwahab Naghi United Company) addressed their commitment letters to the Company. In case any of the major shareholders who holds 5% or more of the company's shares is willing to acquire additional Rights during the first phase of the Offering, they shall abide by the following according to the Implementing Regulations of the Cooperative Insurance Companies Control Law: 1) The Company's must report to SAMA through a quarterly report prepared by it of any shareholding by any person of 5% or more of the Company's shares. 2) Every person who owns 5% or more of the shares of the Company must inform SAMA in writing of its ownership percentage, and of any change thereof within five working days from the date of such a change. This, is in addition to compliance with the regulations issued by the Capital Market Authority in this regard
Restrictions to shares	As the restrictions period has elapsed, all shares are negotiable according to the rules and regulations and instructions issued by the Capital Market Authority. However, the main Founders must obtain the approval of SAMA and then the approval of CMA prior to the disposition of their shares.

The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully by Eligible Shareholders who intend to subscribe for the new shares prior to making any investment decision.

Key Dates for Subscribers

Anticipated Time table for Offering	Date
EGM, setting the Eligibility Date and Registered Shareholders	Tuesday on 12/06/1436H (corresponding to 01/04/2015G)
First Offering Period Date and Trading in Rights	From Tuesday on 18/06/1436H (corresponding to 07/04/2015G) until Thursday on 27/06/1436H (corresponding to 16/04/2015G)
Second Offering Period Date	From Sunday on 30/06/1436H (corresponding to 19/04/2015G) until Tuesday on 02/07/1436H (corresponding to 21/04/2015G)
Offering Period End Date and deadline for submitting Subscription Applications Forms	Tuesday on 02/07/1436H (corresponding to 21/04/2015G)
Rump Offering Period Date	From Sunday on 07/07/1436H (corresponding to 26/04/2015G) until Monday on 08/07/1436H (corresponding to 27/04/2015G)
Final Allocation Notification	Wednesday on 10/07/1436H (corresponding to 29/04/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	Wednesday on 17/07/1436H (corresponding to 06/05/2015G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	Tuesday 12/06/1436H (01/04/2015G)
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	Company	Wednesday 13/06/1436H (corresponding to 02/04/2015G)
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Tadawul	Wednesday 13/06/1436H (corresponding to 02/04/2015G)
Announcement regarding the New Shares subscription periods and rights trading	Company	Wednesday 13/06/1436H (corresponding to 02/04/2015G)
Announcement regarding the First Offering Period and the Rights Trading Period	Company	Tuesday on 18/06/1436H (corresponding to 07/04/2015G)
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	Thursday on 27/06/1436H (corresponding to 16/04/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	Sunday on 30/06/1436H (corresponding to 19/04/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	Tuesday on 02/07/1436H (corresponding to 21/04/2015G)
Announcement regarding: • Outcome of the First Offering Period and the Second Offering Period • Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	Company	Sunday on 07/07/1436H (corresponding to 26/04/2015G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	Wednesday on 10/07/1436H (corresponding to 29/04/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	Sunday on 14/07/1436H (corresponding to 03/05/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	Wednesday on 17/07/1436H (corresponding to 06/05/2015G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's 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 Entities' branches then deliver the same to any of these Receiving Entities during the Offering period. It is also possible to apply through the internet, phone or ATMs of any of the Receiving Entities 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 Entity which offers such services, (2) the data of the Eligible Person should have been updated.

Subscription Application Forms must be completed in accordance with the instructions mentioned under section "Subscription Terms and Conditions" of this Prospectus. 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 Entities. 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 is a Rights Issue?

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.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights 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 are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

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 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Entities or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been sold 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 Entity and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase operations, without a minimum commission being imposed.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. Certain terms contained in this Prospectus have been defined in the "Definitions and Abbreviations" section of this Prospectus.

Company Background

Buruj Cooperative Insurance Company, a Saudi joint stock company established under Royal Decree No. (M/72), dated 28/10/1429H (Corresponding to 29/10/2008G), and the Ministerial resolution No. (313) dated 27/10/1429 H (Corresponding to 28/10/2008G). Its headquarters address is: Canary complex - Prince Abdul Aziz bin Mosa'id Ben Jalawi Street - Sulaimaniya District – Riyadh. It was registered in the commercial register number (1010280606) dated 02/10/1431 H (Corresponding to 26/01/2010G). It is authorized to engage in insurance per the Saudi Arabian Monetary Agency license No. (TMN/28/2015G) dated 15/06/1431H (Corresponding to 29/05/2010G G). The Company operates in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as the other rules and regulations in force in the Kingdom. The Company operates in Saudi Arabia through its licensed branches in addition to a number of points of sale distributed in most of the cities and regions.

The current Company's capital is (SAR 130,000,000) one hundred and thirty million Saudi Riyals divided into (13,000,000) thirteen million ordinary shares, at a nominal value of ten (10) Saudi Riyals per share.

The Board of Directors has recommended in its meeting held in Riyadh on 28/11/1433H (Corresponding to 14/10/2012G) to increase the Company's capital to become (SAR 250,000,000) two hundred and fifty million Saudi Riyals through the issuance of (12,000,000) Right Shares (twelve million shares) at a value of (120,000,000) one hundred and twenty million Saudi Riyals at a nominal value of ten (10) Saudi Riyals per share, in order to comply with and maintain the required solvency margin.

The Company has also received the final approval of the Saudi Arabian Monetary Agency per the letter No. 351000123147 dated 24/09/1435H (Corresponding to 21/07/2014G) to increase the Company's capital in the amount of (120,000,000) one hundred and twenty million Saudi Riyals through Rights Issue. On 12/06/1436H (01/04/2015G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company's capital.

Company's Activities

The Company has been licensed to practice the following main insurance services: (1) General Insurance (2) Health Insurance. The Company has so far received final and temporary approvals from SAMA for a number of its insurance products, which are as follows:

- Motor Insurance (Mandatory / Comprehensive)
- Marine cargo Insurance
- Property and Fire Insurance
- Engineering Insurance
- Individual Accident Insurance.
- Theft Insurance
- Fidelity Guarantee Insurance.
- Money Insurance.
- General Liability Insurance
- Work Emergency Insurance
- Medical Malpractice insurance
- Group Life Insurance
- Health/Medical Insurance

Company's Incorporation Phases

The Company was founded in 2009G, where the Founding Shareholders subscribed at the time for a total of (7,800,000) seven million, eight hundred thousand shares representing 60% of the Company's share capital at the time of incorporation. They deposited the value of these shares which tantamount to (78,000,000) Seventy-eight million Saudi Riyals in Bank Riyadh in exchange for their shares. Additionally, (5,200,000) five million and two hundred thousand shares of the Initial Public Offering (IPO) representing 40% of the Company's capital have been offered to the public at a price of ten (10) Saudi Riyals per share during the period from 10/14/1430H (Corresponding to 03/10/2009G) to 20/10/1430 H (Corresponding to 09/10/2009G). The Company's shares were listed and traded on the Saudi Stock Market as of 01/03/1431H (Corresponding to 15/02/2010G).

The Company emphasizes that it has not granted any privileges or preferential rights to the Founding Shareholders or other shareholders. Since its inception and until the date of this prospectus, the Company has not increased its capital through Rights Issue.

Major Shareholders

Shareholder	Ownership before Offering			Ownership after Offering		
	Shares Thousand shares	Capital SAR'000	%	Shares Thousand shares	Capital SAR'000	%
Gulf Insurance Company	2,925	29.25	22.50%	5.625	56.25	22.50%
United Yusuf M Naghi Co. Ltd.	650	6.5	5%	1.25	12.5	5%
Gulf Medical Co, Ltd.	650	6.5	5%	1.25	12.5	5%
Al Battarjee Industrial Group Co. Ltd.	650	6.5	5%	1.25	12.5	5%
Total	4,875	48.75	37.50%	9,375	93.75	37.50%

Source: Company

* Direct ownership only. There is no indirect ownership to any of them.

** The above shareholders submitted commitment letters to subscribe for the Rights as per the number they are eligible for.

Vision

To be the optimum provider for the insurance solutions. Our level of success will be measured by our customers' selection and their trust in our ability to excel in meeting their expectations in terms of provision of services, expertise, prices and values.

Mission

Buruj is dedicated to satisfying the security needs of individuals and businesses in order to help them manage their everyday risks, recover from unpredicted events, and reach their aspirations.

We will achieve this by establishing long term partnerships that enable us to understand, anticipate, and satisfy their needs, and by providing quality insurance solutions and superior levels of service that meet or exceed their expectations.

The Company's strategy

The Company aims to set the example in the Kingdom in the area of the main insurance activities it deals with. It seeks to achieve leadership in the market through its quality products and services. Therefore, the Company has built a practical model- based strategy and a set of priorities.

The Company's business model aims at strengthening, enhancing and developing the basic potentials for growth, retention of customers and acquiring new customers while focusing the Company's developmental efforts on the most profitable sectors to strengthen its position in the Saudi market and enhance the financial aspects of the Company.

The Company has identified strategies for change and growth which are known in the aggregate as the five driers of growth:

- Product Development: It is a source of diversity which reflects the Company's desire to provide an additional value each time it offers a new product in any of its markets.
- Main Activity Experience: The Company aims at providing the best services at the best prices.
- Distribution Management: Through enhancing the sales performance by mitigating the administrative burden laid on their distributors.
- Quality of Service: Through the keenness to provide good and distinguished services to customers.
- Productivity: The Company seeks to reduce the operating costs and improve the quality each year through careful and accurate policies, speed of delivery, rapid settlement of customers' claims and the continuous review of insurance policies and programs to ensure the optimal protection for customers.

To excel in operational performance in each of the main business areas, the Company has pursued a program for continuous improvement of the operating procedures that is always based on listening to the voice of the customer. The Company also encourages the local business sections to find opportunities for cooperation among themselves in the field of capabilities and materials.

Accordingly, the Company has its own marketing strategy that is focused primarily on its shareholders and customer base as well as the efforts exerted by the Company's sales and marketing team for spreading in the market and attracting more business deals.

The Company's seeks in its strategy to comply with the provisions of Islamic law in its businesses, aspects of activities by seeking the help of specialized experts who provide advice to the Company with regard to the extent of its commitment to the legitimate approach in its transactions. The decisions of the experts will be binding on the matters issued thereon.

Competitive advantages

- Business support of Founding Shareholders
- Qualified, long-experienced administrative staff in the insurance market in Saudi Arabia
- Reinsurance Agreements with the major internationally reinsurance companies.
- Strong regional relationships with insurance companies that are subsidiaries to the Gulf Insurance (the largest founder of the Company).
- A diverse field of innovative insurance products and services
- Advanced Information Technology Systems

Overview of the Saudi Insurance Business

In this Prospectus, information and data regarding insurance industry and market have been obtained from different sources, and the Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the Company nor any of its advisors whose names appear in on pages F and G of this Prospectus have a 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 referenced sources include:

- Estimations and projections of the Company.
- Information and analysis regarding insurance industry and the economy, which has been obtained from sources and publications issued by other parties, and publicly available and can be obtained via the internet and therefore written consent to use this information in the Prospectus has not been sought. They include the following sources:

Structural reforms carried out by the government had led to the growth of insurance sector at high rates in the past few years. Insurance industry has grown from about SAR 10.8 billion in 2008G to about SAR 25 billion in 2013G, with a Compound Annual Growth Rate of 18%.

The insurance market in Saudi Arabia is relatively recent, as insurance industry used to cover only exportation and oil sectors in the seventies of the last century. Insurance sector faced many difficulties due to the absence of the regulatory laws. There were more than 100 companies registered as foreign entities operating from abroad as international insurance brokers or agents for private insurance companies, for the purpose of providing insurance services in the Kingdom, and these companies were registered in Bahrain due to its geographical proximity to the Kingdom. In the absence of a regulatory framework, the insurance policyholders used to suffer from lack of official agency responsible for protection of consumers interests from fraudulent or illegal acts. This paved the way for later reforms and restructuring of the insurance sector in the Kingdom, where resolution No. 51 dated 04/04/1397H (23/03/1977G) issued by Council of Senior Scholars in Saudi Arabia, considering that Cooperative Insurance as a model of donation and therefore it is acceptable in Islamic law. In 1406H (corresponding to 1986G), the government established the National Company for Cooperative Insurance «NCCI» as the first cooperative insurance company, in order to cover local insurance needs and to meet the government ambition to have insurance sector under its control.

The Saudi Arabian Monetary Agency (SAMA) is responsible for organizing and supervising the insurance sector, and developing and implementation of licensing standards for insurance companies. The new law imposes on insurance companies to be registered and licensed in the Kingdom as a public company in order to engage in the insurance business in the Kingdom. The new laws apply not on the insurance companies, but also on reinsurance companies and reinsurance brokers, agents and losses settlement offices.

Domestic insurance sector witnessed a transitional period where existing companies that have not applied for a license have to obtain licenses in accordance with the Cooperative Insurance Companies Law (2003G) or else exit the market, within the grace period having ended on 9 April 2008G. SAMA has allowed the companies whose files already been studied or those who already obtained Royal Decrees and not yet been incorporated to renew their existing clients' policies up to 17 February 2010G.

SAMA's Annual Report for the fiscal year 2013G indicates that the motor insurance formed 49% of the total written premiums, while health insurance formed about 33%. It should be noted that health insurance is mandatory for all expatriates and citizens working in the private sector as of 15 July 2006G according to the data released by the Cooperative Health Insurance Council. Motor insurance is also considered a regulatory mandate (based on the Cooperative Insurance Companies Control Law issued by Royal Decree No. M/32, dated 02/06/1424H and its Implementing Regulations issued pursuant to the decision of the Minister of Finance No. 1/596 and date of 01/03/1425H and the Council of Ministers Resolution No. 222, dated 13/08/1422G on mandatory motor insurance, initiating the work on the «Unified Document for Mandatory Motor Insurance», which has been approved by the Governor of the SAMA).

Overview of Financial Information

The selected financial summaries presented below should be read in conjunction with the audited financial statements as at and for the years ended December 31,, 2011, 2012 and 2013 the reviewed financial statements for the 6 months ended on 30 June 2014 as compared to the same period 2013.

Financial Position (SAR)	2011 audited	2012 audited	2013 audited	H1, 2013 (Reviewed)	H1, 2014 (Reviewed)
Total Assets of Insurance Operations	116,832,354	196,859,645	251,474,471	251,360,918	336,985,360
Total shareholders' assets	92,925,260	82,358,217	83,323,050	81,202,182	84,769,098
Total assets	209,757,614	279,217,862	334,797,521	332,563,100	421,754,458
Total insurance operations' liabilities & surplus	116,832,354	196,859,645	251,474,471	251,360,918	336,985,360
Total shareholders' liabilities	7,796,362	15,138,717	12,841,894	13,203,987	11,130,254
Total Shareholders' equity	85,128,898	67,219,500	70,481,156	67,998,195	73,638,844
Total shareholders' liabilities and equity	92,925,260	82,358,217	83,323,050	81,202,182	84,769,098
Total liabilities and equity	209,757,614	279,217,862	334,797,521	332,563,100	421,754,458

Source: audited financial statements for years 2011G, 2012G, and 2013G and unaudited financial statements for first half of 2013G and 2014G and management analysis

Income Statement (SAR)	2011 audited	2012 audited	2013 audited	H1, 2013 (Reviewed)	H1, 2014 (Reviewed)
Gross written premiums	103,803,397	233,540,257	279,283,805	150,100,482	210,522,947
Total paid claims	(52,428,436)	(106,410,851)	(130,216,178)	(67,318,633)	(77,179,936)
Surplus (Deficit) of Insurance transactions	(13,390,342)	(17,722,721)	7,331,400	4,271,498	3,503,771
(Surplus) deficit transferred to insurance operations	13,390,342	17,722,721	(6,598,260)	(3,844,348)	(3,153,394)
Statement of Shareholders' Operations					
(Surplus) deficit transferred from insurance operations	(13,390,342)	(17,722,721)	6,598,260	3,844,348	3,153,394
General and Administrative Expenses	(2,065,479)	(2,417,042)	(2,190,890)	(1,051,775)	(1,051,122)
Net income (loss) for the year	(15,774,507)	(19,000,307)	5,037,538	3,201,734	2,223,029
Profit (loss) per share for the year (after Zakat)	(1.21)	(1.46)	0.39	0.25	0.17

Source: audited financial statements for years 2011G, 2012G, and 2013G and unaudited financial statements for first half of 2013G and 2014G and management analysis

Statement of Cash Flows(SAR)	2011 audited	2012 audited	2013 audited	H1, 2013 (Reviewed)	H1, 2014 (Reviewed)
Statement of Cash Flows for Insurance Transactions					
Net cash from operating activities	(3,694,971)	56,676,781	41,034,911	13,484,465	54,782,008
Net cash from (used in) investing activities	(909,817)	(8,446,284)	309,125	(28,465,588)	(71,978,467)
Net cash used in financing activities	19,832,794	(62,496)	(3,655,197)	(2,239,233)	-428,483

Statement of Cash Flows(SAR)	2011 audited	2012 audited	2013 audited	H1, 2013 (Reviewed)	H1, 2014 (Reviewed)
Cash and cash equivalents at end of year	35,673,588	83,841,589	121,530,428	66,621,233	103,905,486
Cash Flows for Operations					
Net cash used in operating activities	(1,430,131)	(2,648,523)	(3,421,589)	(3,040,129)	(1,515,368)
Net cash from (used in) investing activities	(32,843,910)	3,077,477	(20,580,559)	2,045,047	4,848,456
Net cash used from financing activities	(19,832,794)	62,496	3,655,197	2,239,233	428,483
Cash and cash equivalents at end of year	33,379,381	33,870,831	13,523,880	35,114,982	17,285,451

Source: audited financial statements for years 2011G, 2012G, and 2013G and unaudited financial statements for first half of 2013G and 2014G and management analysis

Key Financial Indicators	31/12/2011	31/12/2012	31/12/2013	30/6/2014
Retention ratio	62.90%	75.70%	71.20%	68.20%
Net loss ratio	66.00%	85.50%	68.80%	65.70%
Expenses ratio	66.60%	27.30%	27.00%	29.40%
Incurred commission expenses as ratio of gross written premiums	8.50%	8.80%	8.20%	7.20%
Earned reinsurance commission as ratio of ceded premiums	25.50%	20.10%	32.90%	12.90%
Net underwriting surplus as ratio of net earned insurance	41.40%	8.00%	25.60%	27.80%
Insurance operations surplus/deficit as ratio of net earned insurance premium	(32.60%)	(12.80%)	4.30%	4.90%
Liquidity Ratio	165.30%	121.50%	111.30%	108.40%
Cash Ratio	64.90%	57.60%	53.80%	53.80%
Share Book Value (SAR)	6.5	5.2	5.4	5.7
Receivable Insurance Premiums ratio/ total written Premiums	31.60%	13.40%	9.40%	25.40%
Receivable Insurance Premiums ratio/ total Assets	15.60%	11.20%	7.90%	12.70%
Assets Turnover rate (Times)	0.91	0.82	0.91	0.90

Source: The Company

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1. Definitions and Abbreviations

The following table presents a list of abbreviations and expressions / idioms used in this Prospectus:

Term	Definition
CAGR	Compounded Annual Growth Rate
SOCPA	Saudi Organization for Certified Public Accountants
IFRS	A set of accounting standards and their interpretation standards issued by the International Financial Reporting Standards
BURUJ, or The Company	Buruj Insurance Company
Senior Executives or Management or Senior Management	Any natural person who manages or is responsible for the status of implementing strategic decisions of the Company including CEO, his deputies and CFO.
Traded security	A traded security on the Exchange
The Shares	The Company's Ordinary Shares amounting to 13,000,000 fully paid at a nominal value of SAR 10 per share.
Rights Issue	Offering of additional shares where the Company's shareholders have the right to subscribe for commensurate with their shareholding percentage.
Subscription, The Offering, or Rights Issue	Increase capital of Buruj Cooperative Insurance Company from SAR 130,000,000 to SAR 250,000,000 by offering new rights issue of 12,000,000 shares at a total value of SAR 120,000,000 and the nominal value of SAR10 per share
Offer Shares	12,000,000 Ordinary Shares in Buruj
Eligibility Date	Close of trading on the EGM voting on the increase in the Company's capital according to the Board recommendation on 12/06/1436H (corresponding to 01/04/2015G).
First Offering Period	From Tuesday on 18/06/1436H (corresponding to 07/04/2015G), until the end of Thursday on 27/06/1436H (corresponding to 16/04/2015G), 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. The First Offering period coincides with the Trading Period during which Registered Shareholders and the public may trade in the Rights.
Trading in Rights	Eligible persons may trade in (Buy and Sell) the Rights of (1) Right for each (1.083) of the Company's shares in Tadawul.
Trading Period of Offer Shares	Will commence on Tuesday 18/06/1436H (corresponding to 07/04/2015G) and will last up to and including Thursday 27/06/1436H (corresponding to 16/04/2015G). Registered Shareholders and the public may trade in the Rights during this period.
Second Offering Period	From Sunday 30/06/1436H (corresponding to 19/04/2015G), until the end of the day on Tuesday 02/07/1436H (corresponding to 21/04/2015G), (the "Second Offering Period"), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. Offer Shares may not be traded during this period.
Rump Shares	The remaining Shares that have not been subscriber for in the first and second phases
Rump Offering	Rump Shares 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 on Sunday 07/07/1436H (corresponding to 26/04/2015G), until the following day at 10:00 AM on Monday 08/07/1436H (corresponding to 27/04/2015G). 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 will be added to the Rump Shares and treated in the same manner.
Listed/registered Shareholders	The Company's Shareholders Registered in the Shareholders Register at the end of day on which the EGM is held.
Exercising of Rights	Application for subscription to the New Shares by the eligible persons through completion of application forms and payment of the money to the Receiving Entities or through electronic subscription to the Receiving Entities providing such type of service.

Term	Definition
Institutional Investors	Includes the following institutions:
	1. Publicly Offered Investment Funds established in Saudi Arabia and investing in Saudi Securities provided that the Fund terms and conditions allow and the terms and conditions of the Investment Funds Regulations are observed. 2. Persons authorized by CMA to deal in securities as principal provided that the financial adequacy requirements are observed. 3. Publicly listed companies via their portfolios managed by authorized persons and the banking and the publicly listed insurance companies in compliance with CMA regulations provided that their subscription shall not involve any conflict of interest.
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter
Receiving Entities	The agents that receive the subscription applications from individual subscribers during the Offering Period. They include Falcom, NCB, Riyad Bank, Saudi Fransi Bank and Samba.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Government	The Government of Saudi Arabia
Offer Price	10 Saudi Arabian Riyals per Offer Share
Share	An Ordinary share of the Company with a nominal value of ten Saudi Arabian Riyals (SAR 10) each
Nominal Value	SAR 10 per Share
Saudization or Nationalization	Labor regulations in the Kingdom that oblige Companies to employ a certain percentage of Saudis
CMA or the Authority	Capital Market Authority of Saudi Arabia
Person	A natural person
Related Party	As intended in the Listing Rules, related parties include the following:
	1. Issuer's affiliates 2. Issuer's major shareholders. 3. Issuer's Directors and senior executives. 4. Issuer affiliates' directors and senior executives. 5. Issuer major shareholders' directors and senior executives. 6. Issuer's Legal Counsel and Financial Advisor. 7. Any relatives to the persons referred to in points (1, 2, 3, 4, 5, and 6) above. 8. Any Company controlled by any person referred to in points (1, 2, 3, 4, 5, 6, and 7) above.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.
Control	The ability to influence the actions or decisions of another person, directly or indirectly, alone or in combination with a relative or affiliate, through any of the following: Possession of ratio equals to 30% or more of the voting rights in the Company. The right to appoint 30% or more of the members of the management team, and the word "controlling" shall be interpreted accordingly.
Financial Statements	The audited and reviewed financial statement of the Company for the years 2011, 2012 and 2013 and the reviewed financial statements for the period ended on 31 June 2016 and 2014G.
Listing Rules	The Listing Rules issued by the CMA pursuant to resolution No. 3-11-2004, dated 2/8/1425H (corresponding to 4/10/2004G) based on the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G) and subsequent updates up to the date of this Prospectus.
Financial or Fiscal Year	A financial year ending on 31 December of every calendar year
Offering Proceeds	Total value of subscribed shares
Net Offering Proceeds	
Underwriter	Falcom Financial Services Company
Lead Manager	Falcom Financial Services Company
Financial Advisor	Falcom Financial Services Company

Term	Definition
Board or Board of Director	The Board of Directors of the Company
Director or Board Member	For a joint stock company, it includes the members of the Board of Directors, and for any other company, it includes any director or another senior official whose duties include development and implementation of strategic decisions for the company
Major Shareholder	A person holds 5% or more of the Company shares
Shareholder or Shareholders	The holders of the Shares as at any particular time
Founding Shareholders	Founding Shareholders of the Company whose number is 15.
Voting Rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Advisors	The Company's advisors with regard to the Offering whose names appear on pages F & G
Actuary	An expert who conducts various statistical and probability theories using which services are priced, liabilities are assessed and provisions are calculated
Subscriber	Anybody who subscribes in the offered shares
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
CMA or the Authority	Capital Markets Authority of Saudi Arabia
Exchange or Tadawul	The Saudi Arabian Stock Exchange
SAMA	Saudi Arabian Monetary Agency
By-Laws	The Company's by-laws
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H, as amended
Insurance company	An insurance company under supervision and control of SAMA
The beneficiary	A natural or legal person who benefits from the returns under the policy as a result of being subject to the covered risks.
Regulations implementation control officer	A natural person who attends to the regulatory activities to ensure compliance with all laws and regulations.
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
GCC	Gulf Cooperation Council
Insurance	A contractual mechanism based on which pure risk burdens are transferred by sorting and grouping them.
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 underwritten by the ceding company under one or more policies
Insured	A natural person or legal entity, which has taken an Insurance Policy
Insurer	An insurance company that accepts insurance contracts to assume the risk of the insured loss and to compensate for that loss directly to insured(s)
Policyholders	The persons who hold insurance policies issued by the Company
Insurance brokers	A legal person who represent an existing or prospective insured person against a commission to attract policies and negotiate their terms.
Insurance Agency	A legal person who represent the insurer against a fee to attract insurance contracts, negotiate their terms and conclude them.
Insurance Claims Settlement Specialist	A legal person, who studies and evaluates losses, negotiates settlements on behalf of the insurance company.

Term	Definition
Loss Evaluator	A legal entity that studies insurance risks before insuring-them, studies damages after their occurrence to determine reason, estimate value and define responsibilities.
Insurer and Re-insurer	A legal person authorized to provide insurance and re-insurance services or related authorize services in Saudi Arabia, who works for an insurance Company.
Risk	An event that may include or do not include loss, but does not include any gain.
Retained Risks	The risks retained by the company in its records in comparison with the risks assigned to the reinsurance Company.
Gross Written Premium	Gross written premium (whether ceded or not) of insurance policies within certain timeframe without deducting assigned premiums.
Net Written Premium	Gross written premium for a specific period minus assigned premiums to reinsurers during that period.
proportional reinsurance	Service provider incurs a proportion of the loss as much as the benefit obtained from the insurance policy, especially with regard to high-volatile and risky business, so that it does not include life insurance
Non-proportional reinsurance (surplus loss)	Contractual reinsurance under which the insurer undertakes to support specific risks within the limits of certain amounts exceeding the stated loss amount born by the insurer. The reinsurer undertakes to accept the insurance for the risks attributed thereby.
Claims under settlement	The claims and accidents, which are still under consideration and not yet settled or paid. They equal the loss amount claimed by the insured based on the policy's insurance amounts.
Underwriting costs of insurance policies	Total costs of underwriting insurance policies including commissions and the part of expenses relating to management and other general costs that are attributed to insurance operations.
Technical Provisions	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations
Solvency Margin	To what extent the Company's assets are transferrable to cash in excess of its obligations.
Retention Rate	A measure of underwritten insurance premiums maintained by the insurance company. It can be attained by dividing the net underwritten premiums on the total subscribed premiums
Loss Rate	Incurred claim rates to net ceded premiums.
Implementing Regulations	Implementing Regulations of Cooperative Insurance Companies Control Law issued under Ministerial decision No. 1/596 dated 1/3/1425H (corresponding to 21/4/2004G)
Insurance Law	Cooperative Insurance Companies Control Law and its Implementing Regulations
Subscription or Premium	The amount paid by the insured to the insurer against agreement of the insurer to compensate the insured for loss or damage resulting directly from covered risks
Penetration rate	Total insurance premiums underwritten divided by the GDP.
Insurance Density	Total premiums underwritten per capita
Cooperative Health Insurance Council (CHIC)	Cooperative Health Insurance Council established in accordance with the Cooperative Health Insurance Law issued by Royal Decree No. (M/10), dated 01/05/1420H (13/08/1999G) and amendments thereto.
Investment portfolio	An investment instrument that comprises 2 assets or more.
Net Acceptable Assets	Assets that inter the account of solvency margin only minus total liabilities according to the Implementing Regulations.
Total Underwritten Premiums method	Method of calculating the required solvency margin, calculated as follows:
	1. The classification of the total premiums for insurance branches in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Agency (Table 3). 2. Net premiums calculated for each branch after deducting their own share of reinsurance so that it will not fall less than 50% of the total premiums of this branch. 3. The solvency margin is calculated by multiplying the relative factor by the adjusted net premiums
Claims method	Method of calculating the required solvency margin, calculated as follows:

Term	Definition
	1. Total claims are classified based on historical data for the previous three years in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Agency (Table 3). 2. Net premiums calculated for each branch after deducting the share of reinsurance so that it will not fall less than 50% of the total claims of this branch. 3. The required solvency margin is calculated by multiplying the relative factor by the adjusted net claims.
Subscription Application Form	The application form submitted by the subscriber to purchase the offered shares
Prospectus	This document prepared by the Company in relation to the Offering
Products	Products and services Provided by the Company
Strategic Partners	A Strategic Partner is a company (or group of companies) that enjoys technical, technological and managerial experience, marketing activity, financial capabilities and added value from all aspects to become a partner in the business, activity or industry so that it will develop such business, activity or industry and provide solutions to the problems facing it and then assumes a large and active role in its administration. This is represented in Gulf Insurance Company (a Kuwaiti joint stock company), which owns a percentage of (22.5%) of the Company's shares
Risk Factors	They are the potential effects that must be known and hedged before making an investment decision
Corporate Governance Regulations	The corporate governance regulations in KSA issued by Capital Market Authority under resolution No 1/212/2006G, dated 21/10/1427H (corresponding to 13/11/2006G) and subsequent amendments.
Credit Rating	An opinion in the level of credit rating for an organization or a security, using codes, letters numbers, or any other form
Rated party	A legal person whose level of credit worthiness is rated explicitly or implicitly in the credit rating (including the issuer of the security to be rated), whether upon its request or whether it provides the information necessary for rating of its credit worthiness.
BBB Rating	A credit rating from Standard & Poor's expresses sufficient capacity to meet the financial obligations, except that in the event of an unfavorable or changing economic conditions, it is likely to lead to an impaired ability to meet financial obligations (average quality)
S&P	Standard and Poor's, an American company specialized in rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to more than 2000 internationally listed companies.
-AAEating	A credit rating from Standard & Poor's reflects a high level or high-quality creditworthiness. The negative (-) signal refers to the minimum in the AA group (very low risk)
International Monetary Fund (IMF)	A specialized agency of the Bretton Woods system of the United Nations was established under an international treaty in 1945G to work on enhancing the safety of the global economy. The Fund's headquarters is in Washington, DC, and is managed by its members, who include almost most of the world countries.
Working day	Any day except Fridays, Saturdays and public holidays, in which the receiving agents open up for normal business activities.

2. Risk Factors

In addition to the information contained in this Prospectus, prospective investors should carefully consider all the risk factors described below before deciding whether to purchase the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to or considered immaterial by the Company, which may preclude its operations. The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected if any of the following risks, actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a Financial Adviser licensed by the CMA for advice about investing in the shares of this IPO.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company does not currently consider to be material do occur, the value of the Offer Shares will decrease and prospective investors will lose all or part of their investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now, may have the impacts shown in this prospectus.

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

Failure to obtain and renew necessary licenses, permits and certificates

The Company shall obtain and maintain regulatory necessary permits, licenses and approvals related to its activities. Such licenses include, but not limited to, the following: product obtained by the Company from SAMA, licenses to open stores issued by the Ministry of Municipal and Rural Affairs, certificates of registration of the Company and its subsidiaries issued by the Ministry of Commerce and Industry, certificates of Chambers of Commerce, trademark registration certificates, Saudization certificates, Zakat and Income Tax certificate from Department of Zakat and Income Tax (DZIT).

The Company obtained the approval of SAMA to open branches in Riyadh, Jeddah and Khobar as per letter No. (2T/2202) dated 11/29/1431H (06/11/2010G). It has not obtained the Municipality license for Riyadh branch, and has not also renewed the Municipality license for Jeddah branch.

The Company has also been licensed to open (50) points of sale (POS) under the approval of SAMA as per their letter No. (2T/2431) dated 30/12/1431H (7/12/2010G). Up to the date of this prospectus, the Company has opened 37 POS. The Company has obtained municipality licenses for only (11) POS, including (6) licenses already expired. Also, it has not obtained municipality licenses for the remaining (26) POS.

Failure of the Company to obtain municipality licenses for its branches, non-renewal of existing licenses already obtained, and failure to obtain any licenses required currently or in future by regulatory authorities, will expose the Company to penalties provided by Fines and Penalties Regulation for municipal violations (issued as per the Council of Ministers resolution No. 218, dated 06/08/1428H). Such penalties may reach closure of the store, which will adversely affect the Company's operations and accordingly the results of its operations and financial position.

Also, the Company is required to obtain Zakat certificate from DZIT (Please refer to "Risks relating to Zakat and Withholding Tax" of this section). If the Company fails to submit the assessments and documents required by DZIT, and to pay due amounts and settle any disputes with DZIT, it will be subject to penalties and may not obtain the necessary certificates which will adversely affect the Company's results.

Further, if the Company fails to comply with Saudization requirements prescribed by Ministry of Labor, or by SAMA regulations for certain positions, it will be subject to penalties and will not be able to obtain the required rating, which in turn will affect any future dealings with these entities, such as not allowing it to obtain the necessary visas to recruit necessary foreign labors, which would have negative impact on the Company's business and accordingly its financial results.

In addition, the Company is required to obtain the approval of SAMA for (permanent or temporary) insurance products it offers. The Company›s failure to obtain such licenses for new products or renewal of licenses for existing products will adversely affect the Company›s operations and financial condition.

Dependence on key personnel and ability to appoint qualified persons

Key personnel of the Company play an important role in the success of the Company's business. Continuity and success of the Company will depend to a large extent on its ability to recruit and retain highly qualified personnel, and find in a timely manner qualified replacements.

There can be no assurance that the Company will be able to find, in a timely manner, qualified replacements for individuals or to attract and retain additional qualified personnel as and when needed. Furthermore, as there is high competition for personnel with relevant expertise in the market due to their scarcity, the Company may need to offer higher compensation in order to retain its personnel, or attach new staff with appropriate qualifications. As a result, the loss of one or more of the senior management members, may adversely impact the Company's business, financial condition, and results of operations.

Many of the Company's key personnel working in Saudi Arabia are not Saudi Arabian (approximately 75% of the senior management members . Under Saudi law, non-Saudis may not engage in any gainful occupation in Saudi Arabia without an appropriate governmental work permit. The Company's success may depend in part on the continued services of key personnel in Saudi Arabia. No assurances can be given that any work permit will be issued or, if issued, renewed upon the expiration of the relevant term. It is possible that Saudi Arabia could change its laws or policies in a way that would make it more difficult for non-Saudis to obtain work permits.

The Company may be forced to terminate the services of its non-Saudi key employees and replace them with others, while the appropriate replacements for such employees are unavailable to fill the shortages, or available but at higher costs, which will adversely impact the Company›s management, continuation of the work, operations and financial condition.

Vacant positions of Risk Department Manager and Assistant General Manager of Operations

The Company has two vacant leading positions, one of them is for the Risk Department Manager that should be filled as stipulated by SAMA (as per the Implementing Regulations of the Cooperative Insurance Companies Control Law), and the position of Assistant General Manager for Operations. Both positions have not been filled up to the date of this Prospectus. Filling these two positions is necessary for the Company to be able to assess and manage risks and efficiently manage its operations (sales, marketing and points of sale), which will be adversely affected in the event of continued failure of the Company to fill these two positions or in the event of not being able to assign the proper person for each position. This will make the Company subject to a fine for not complying with SAMA's requirements for appointment of Risk Department Manager, and it will not be able to efficiently manage its operations, and thus adversely affect its sales, which then will be reflected on its efficient competition in the insurance market in KSA.

Non-compliance with the requirements of Saudization and employees not under Company's sponsorship

The Ministry of Labor has introduced "Nitagat" program, which has been designed to encourage companies to assign Saudi employees and increase their proportion of the total workforce. According to this program, the Company's compliance with the requirements of Saudization is measured against the percentage of Saudi nationals in the workforce, compared with the average rate of Saudization in the companies operating in the same sector.

Ministry of Labor stipulates that all operating firms shall comply with the requirements of job localization (Saudization), which requires employment and retain of a certain percentage of Saudi employees. Saudization requirements vary according to the Company's activity and the instructions of the Ministry of Labor issued on 05/01/1423H (corresponding 10/08/2002G) which require firms to obtain a Saudization certificates in this regard from the Ministry of Labor. At the beginning of 2013G, Ministry of Labor had decided to impose more stringent policies regarding Saudization of jobs, represented in motivation program for companies to localize jobs "Nitagat".

The Company is within the green category of Nitagat program given the current rate of Saudi nationals among the Company›s employees, which reached 48% as at June 30, 2014G.

Despite the achievement of the required Saudization rate, there is no assurance that the Company will succeed in maintaining Saudization percentage required within the prescribed regulatory levels. The Company may be exposed to penalties in the event of non-compliance with the resolutions issued in this regard, including stop issuing work visas for employees needed for the Company, stop transfer of sponsorship of non-Saudi employees or excluding the Company from participating in the government tenders. Occurrence of any of the above penalties will have a negative impact on the Company›s business and results of operations.

With regard to Saudization of leading positions, as per Article (5) of Requirements for appointments to leadership positions in financial institutions (including insurance companies) under the supervision of SAMA, issued in Ramadan 1434H, priority in recruitment should be given to Saudis, and if the Company needs to appoint a non-Saudi in a leading position, it should prove that a qualified Saudi person is not available to fill that position, and should specify in the application for a no-objection from SAMA, the period required to assign Saudi employee in that position.

Saudis represent (25%) of the Company›s executive management members. Failure to increase Saudization rates, especially in leading positions, will expose the Company to fines and penalties by several governmental bodies, including stop issuing work visas for employees needed for the Company, stop transfer of sponsorship of non-Saudi employees or excluding the Company from participating in the government tenders. Consequently, the Company›s operations, ability to meet its obligations, financial condition and results of operations will be adversely affected.

In addition, government has taken measures to regulate employment of foreign workers in the Kingdom in accordance with Labor and Residence «Iqama» regulations, through which it seeks to take action against companies and foreign employees who do not work for the employer who sponsors them, or perform works not matching with their job titles as per their residence permits. As per the mentioned instructions of the Ministry of Labor›s, the Company should rectify its situation with respect to its non-Saudi employees.

During the rectification period granted by the government, the Company amended its situation with respect to non-Saudi employees, except for three (3) who have been working with it without being under its sponsorship. Some employees have different job title in their residence permits from that contained in their contracts. In the event that the Company could correct the situation, Ministry of Labor will impose a fine up to (SAR 100,000) for each employee working in contradiction with the regulations. If the Company fails to comply with policies and rates of Saudization imposed by Ministry of Labor or SAMA- or could not adjust and correct the situations of non-Saudi employees, now or in future, it will not be able to obtain the required Saudization certificate, which would adversely affect its ability to recruit sufficient non-Saudi employees, by preventing it from obtaining new visas, changing profession of their employees or giving it visas for workers to replace employees departing on exit visa only. This would adversely affect the Company's ability to continue work and accordingly the Company's operations and financial results.

It is worth mentioning also that the Ministry of Labor has approved imposition an annual fee of SAR 2,400, on firms which have more foreign employees than Saudi employees for each foreign worker. Non-compliance of the Company with these instructions will result in bearing more costs which will negatively affect the Company›s results and financial condition.

Lack of local qualified staff in the insurance sector

Staff available in the local market may not meet the Company's need of qualified staff. If the Company could not attract qualified staff from the local market, it would recruit staff from outside the Kingdom. There is no assurance that the Company will be able to get a sufficient number of required work visas from the Ministry of Labor in the Kingdom, especially in light of the Saudization requirements, which creates a high competition among insurance companies in the Kingdom to train and qualify there cadres and attract talents from the local market, resulting in an increase in wages that may pose an additional burden on the Company. In addition, lack of the Company's ability to attract and retain qualified employees may lead to obstruct the application of its strategy, which would negatively affect its business.

Contracts and transactions with related parties

The Company entered into a number of insurance contracts with related parties, such as companies belonging to members of Board of Directors, or Directors who are partners therein or they have direct or indirect interest, as well as the founding shareholders and their companies. The Company has signed (13) thirteen insurance contracts for a total value of (SAR 33,590,879) thirty three million five hundred and ninety thousand eight hundred and seventy nine Saudi Riyals as at 30/06/2014G, which are as follows:

Table 1.2: Contracts and transactions with related parties

SN	Contractor	Total Contract Value	Nature of Contract	Covered Risks	Remarks
1	CigalahTrading Establishment and Zawaq Foods Factory (a branch of Sigalah Est.)	8,122,139	Insurance Contracts	motors, marine, property, fire, engineering and general Insurance	Owned by Mr. Yasser Yousuf Naghi (Chairman BoD)
2	United Yousef M. Naghi Co.	4,448,913	Insurance Contracts	motors, marine, property, fire and general Insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) owns 20% of shares
3	Al Saggaf Holding Co.	2,757	Insurance Contracts	Motors insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) owns percentage of shares
4	Al-Ma'moon Overseas Insurance brokerage	4,653,700	Insurance brokerage contract	-	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to partners
5	Arabian Supplies Trading Co. Ltd	5,515,986	Insurance Contracts	Motors, marine, property, fire, engineering and general Insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to partners
6	Arabian Food Supplies Co.	504,662	Insurance Contracts	Marine, property, fire, engineering and general Insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to partners
7	Rehal National Services Co. Ltd	10,726	Insurance Contracts	Motors and property insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to partners
8	Hafil Transportation Establishment	9,168,977	Insurance Contracts	Motors, property, fire and general Insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to the owner

SN	Contractor	Total Contract Value	Nature of Contract	Covered Risks	Remarks
9	Al-Andalus Transportation Co.	448,956	Insurance Contracts	Motors, property and fire insurance	Mr. Yasser Yousuf Naghi (Chairman, BoD) is a relative to partners
10	Al Battarjee Industrial Group Co. Ltd	17,075	Insurance Contracts	property, fire and general Insurance	Mr. Ibrahim Mohammed Batterjee (Board Member) owns 10%
11	Mohammad Ibrahim Battarjee Ice-cream and Juice Factory.	397,847	Insurance Contracts	Motors, marine, property, fire and general Insurance	Owned by Battarjee Holding Company and Battarjee investment Co., both of which are 30% owned by Mr. Ibrahim Mohammed Battarjee (Board Member)
12	Al-Basam Trading Co.	8,080	Insurance Contracts	Motors insurance	Mr. Ziad Bassam Al-Bassam is a relative to partners
13	Gulf Insurance Co.	291,061	Facultative Reinsurance Contracts	Reinsurance of property, fire, engineering and general Insurance	Founding shareholder by 22.5%
	Total	33,590,879			

Source: the Company

It should be noted that most of the premiums for the companies belonging to members of the Board of Directors, or the companies in which they have a direct or indirect interest, are for motor insurance (accounting for about 53% of the total value, with SAR 17.8 millions). The rate of total claims for this activity is 83%, which is the highest compared to other activities of 42%.

There is no assurance of renewal of the contracts with related parties in the future at the end their terms. It is possible that the Company's board or the General Assembly may not agree to renew these contracts, or the related parties may not agree to renew them under terms of insurance policies set by the Company. As such, non-renewal of these contracts will have negative and material impact on the profitability of the Company, its business, prospects, financial condition and results of operations.

Contracts with Other Parties

The Company, in its due course of business, has entered into contracts and agreements with third parties. In such agreements, the Company depends on the party's ability to meet their contractual obligations. No assurance can be given in terms of third parties' abilities to meet their obligations to the levels expected by the Company, which may adversely affect the Company's financial condition, cash flow, operational results and prospects.

Source of Funds

The Company's ability to provide sources to finance its business depends on many factors, including its ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover any potential losses. The Company may need to raise additional funds through financings by loans from any commercial banks operating in the Kingdom or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to the Company. In case of equity financings, shareholders' equity could be diluted. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

Non-satisfactory investment returns

Cooperative Insurance Companies Control Law imposes certain restrictions on the Company's investments that must vary to reduce the risks. There are controls that restrict investments transactions in various categories of assets with varying risks such as equity investment controls, bonds, capital market in general, cash market, and others. Due to these restrictions, in addition to the low returns on cash deposits to the lowest level, the Company is not expected to achieve significant growth in its investment portfolio and therefore limits the Company's ability to cope with any unexpected increase in insurance claims that are not covered by reserves (technical provisions). If the Company fails in management of its investments, it may have to liquidate its investments at some times and at unfavorable prices, which could have a material adverse effect on the Company's financial condition and results of operations. Failure of the Company to maintain its investments and increase their values, could result in decrease of shareholders' equity.

Liquidity Risks

Liquidity risk is the inability of the Company' to fulfill its financial obligations on the due date. The Company's failure to efficiently manage cash liquidity will adversely affect the Company's operations and financial condition. In case of lack of liquidity, the Company may not be able to pay claims in future, which will adversely affect the Company's reputation, operations and financial condition. In contrast, the increase in the Company's liquidity indicates that it is unable to properly utilize this liquidity, and it wastes opportunities for investment or operation, which will adversely affect the Company's results and financial condition.

Risks of Associate Companies

The Company is in the process of completing the establishment of a limited liability company under the name «Gulf Guaranty Insurance Services» to practice settlement of insurance claims in partnership with Gulf Guaranty (Bahrain). (Please see «the Company and the nature of its business- Associate Company). The announcement of this partnership was made on Tadawul website pursuant to the rules of registration and listing. The Company also announced on 10/10/1435H (06/08/2014G) on Tadawul website that «Gulf Guaranty Insurance Services Inc. (limited liability company) has obtained the approval of the General Authority for Foreign Investment. The Company does not guarantee the success of this project, and in case it fails to achieve expected returns, its business and operating results will be adversely affected.

Inadequacy or Excess of Technical Provisions (Reserves)

As per the Implementing Regulations of insurance companies control law (issued by Royal Decree No. M/32 dated 06/02/1424H, and published on the website of the Saudi Arabian Monetary Agency (SAMA) on 18/08/2005G), the Company shall maintain adequate provisions to meet and cover financial obligations under Article (69) of the regulations which stipulated the following minimum reserves:

- Unearned Premium Reserves
- Unpaid Claims Reserves
- Claim Expense Reserves
- Incurred but Not Reported ("IBNR") Claims Reserves
- Unexpired Risk Reserves
- Catastrophe Risk Reserves
- General Expenses Reserves
- Provisions relating to protection and savings insurance, such as disability, aging, death, medical expenses and others.

The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid Insurance Policy claims, the Company cannot precisely determine the amount, which would ultimately be paid to settle these liabilities. As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company then will need to increase reserves. An increase in loss reserves may reduce the net income and, if large enough, will have a material adverse effect on its business, financial condition and results of operations which will expose the Company to negative results and losses as a result of settlement of these obligations and payment of amounts higher than technical provisions (reserves), and thus technical provisions would have been estimated less than its actual value. Also establishment of exaggerated technical provisions or more that necessary adversely affects financial results (e.g. reduction of profits or increase of losses) and also affect the balance sheet by increasing liabilities and as such negatively impact the solvency margin.

Risks related to Insurance Business and focus on Motor Insurance and Health Insurance

These risks are related to increase of actual claims owed to the contracted parties for insured accidents more that book value of insurance liabilities. This can occur because of repeated claims or because claimed amounts, actual paid benefits or subsequent developments on long-term claims differ from what was expected.

The acceptance of risk insurance is a matter of estimation, involving significant assumptions about things that cannot be predicted due to their nature, or they are beyond the control of the Company, and as such the analysis of historical experience and likelihood in this regard will not provide sufficient indicator. Error in calculation of net risks that the Company might be exposed to, could have material adverse impacts on its financial condition and results of operations.

Insurance business carried out by the Company concentrates on motor insurance and health insurance which represent 82% of total premiums written in 2013G and 83% as of 30/06/2014G. This concentration makes the Company exposed to the risk of change in the performance of the insurance portfolio for both of motor insurance and health insurance sectors due to the change in prices and competition faced by the Company's from other companies. This leads to loss of premiums by the Company as a result of price competition, in addition to the other factors such as change in prices of insurance policies as a result of factors that occur abruptly, such as heavy rains and floods which expose motors to damage, as well as increased claims incurred or recurred without being in the Company's estimate. Also, changes in regulatory laws and regulations issued by SAMA from time to time, may affect the performance of the insurance portfolio of the Company.

There are risks related to the Company's failure to obtain reinsurance services in the market in the future. Also, insolvency or lack of ability or willingness of any reinsurers with whom the company is currently contracted or will contract in future to pay their due payments in a timely manner, or failure to comply with the provisions of reinsurance agreements concluded with them, will adversely affect the Company's ability to meet its obligations and accordingly affect its operations and financial condition.

It should be noted as well that the magnitude of the claims that may result from other types of insurance such as property insurance and engineering insurance will have a negative impact on the Company's financial condition and results of operation.

Reinsurance Risk

The insurance companies, in the normal course of their business, need to have re-insurance of their insurance portfolios to minimize insurance risks in the Company records (including proportional and non-proportional and optional insurance). The reinsurance activity is a specialized business, where usually reinsurance companies charge premiums to provide reinsurance coverage, and in case of a global or regional incidents affecting insurance, premiums go up and that could lead to a negative impact on the profitability of the Company. Also, it should be noted that even though the Company obtains re-insurance, it remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. Therefore, failure of the reinsurers to meet their financial obligations, could have a material negative impact on the Company's operations.

Also, there is a risk that the Company may not be able to obtain reinsurance services in the market in the future, especially with companies operating outside the Kingdom, because reinsurance companies study well the situation of insurance companies which desire to make use of re-insurance services. Re-insurance Company also consider dealing with the insurance companies based on the principle of distribution of risks and sources of income to a number of companies, so as it will not be dependent on one source of insurance companies. Therefore, companies with poor market performance will not easily find a re-insurance provider to deal with. As such, failure of the Company to maintain high competitive performance, will increase risks incurred by the Company in future due to failure to find the proper re-insurer. This leads to loss of refunds by the Company to the amount of claims paid to the insured, and thus the Company fully bears the losses, along with increase of loss rate of bad debts, inability to collect these amounts and lower percentage of liquidity and solvency margin. Also, the lack of a Company's ability to obtain reinsurance arrangements minimizes its ability to underwrite and increase total premiums, and consequently the Company becomes vulnerable to loss of its customers whose insurance and business require reinsurance arrangements in order to protect the Company's capital from any significant losses in this area. Loss of customers mean loss of premiums, and accordingly decrease of revenue and increase of operating losses. In order to adhere to Cooperative Insurance Companies Control Law and its Implementing Regulations, the Company is requested re-insure as a minimum 30% of reinsurance premiums within the Kingdom of Saudi Arabia, which may be difficult to achieve or continue to adhere to because there is only one reinsurance Company specialized in this field in the Kingdom, in addition to the reluctance of other local insurance companies to accept the support processes, either because of their cancellation of reinsurance activity or due to their weak financial performance. This may force the Company to assign premiums of insurance operations to re-insurance companies outside of the Kingdom, and not to meet the required percentage, which will have a negative impact on the Company's operating results and financial condition in the event of any additional claims in future. This is in addition to the possibility of the Company's exposure to financial penalty as a result of violating the regulations. Reinsurance rate of the Company with companies within the Kingdom reached about 35% as of June 30, 2014G (18% in 2013G).

Risks of issuance and translation of Insurance Policies

The Company studies the potential risks before issuing insurance policies to the requestor, and this is done through the process of assessment of risks related to customers themselves, study of any concentration of insured risks, as well as an estimate of what the nature of the risks insured, legal obligations and liabilities associated with the insurance policies and risks related to claims. This is in addition to carrying out an assessment of the risks of any lawsuits or settlements of claims filed by and against the client. The Company's poor estimates of the risks of issuing insurance policies will make the Company suffer financial losses and will adversely affect its performance in the future.

Also, it is worth mentioning that Arabic translation of some items in the insurance policies given by the Company to other parties is not perfect as for terminologies mentioned in the policy, leading to different interpretation of meanings between the parties, which may expose the Company to have disputes with customers and adversely affect its financial results.

Risks of cancellation or non-renewal by Policyholders

Cancellation of existing policies is made either upon request of the customer because of his dissatisfaction with the service provided to him or for any other reason, or by the Company due to non-payment of premiums due from the customer. In any case, this leads to lower premiums written and thus negatively affects the Company's operating results.

It should be noted that the sectors of motor insurance and health insurance with the Company has achieved a low renewal rates compared to other sectors of the insurance (59%, 33% and 34% for the years 2011G, 2012G and 2013G respectively), leading to a decline in the overall renewal rates at the Company. At the same time, these two activities represented about 82% of total premiums written in 2013G and 83% as of 30/06/2014G. If the Company continues in non-renewal of insurance policies already issued or policies to be issued in the future, as projected, written premiums will decrease, and that would adversely and materially affect the results of the Company's business.

Risks associated with the Executive Committee

On 08/02/1431H (23/01/2010G), Board of Directors decided to form the Executive Committee to carry out the tasks and responsibilities assigned to them in accordance with the Company Bylaws and the Charter of the Executive Committee, which stipulate that the Committee should hold at least (6) meetings per year. It was found that the Executive Committee did not hold any meeting in 2011G and held only four meetings in both years of 2012G and 2013G.

Board of Directors must oblige the Executive Committee increase its meetings to a minimum of six (6) meetings during the fiscal year.

The lack of commitment by the Company to hold meetings of the Executive Committee as per the Company's bylaw leads to the failure to follow up and monitor the Company's works, which will have negative impact on the Company's performance and financial results.

Risks Related to Accumulated Losses

The Company recorded accumulated losses of (SAR 48.345.798) Forty-eight million three hundred and forty-five thousand seven hundred and ninety-eight Saudi Riyals, as of September 30, 2014G, which represents 37% of the Company's capital. Accordingly, the actual solvency margin was about 22% as of September 30, 2014G (realization of losses and increase in accumulated losses will negatively affect the Company's ability to achieve the required solvency margin), (please see the risks of «solvency requirements» below, and «solvency margin» in "Management's Discussion and Analysis of Financial condition of the Company and Results of Operations») section.

There is no assurance that the Company will discontinue to record additional losses. In the event losses reached 50% of the Company's capital or more, the Company will be subject to the procedures and instructions, for Listed Companies with accumulated losses reached 50% of the capital or more, which have been recently approved by the Capital Market Authority (For details on these procedures refer to the website of the Capital Market Authority or Tadawul).

It is worth mentioning that the procedures applicable to companies realizing losses of 50% or more of its capital, have been divided into three categories:

1. from50% to less than 75%.
2. from 75% to less than 100%.
3. 100% or more.

If the Company falls under any of the previous three categories, it should adhere to number of procedures under each category. Lack of adherence will expose the Company to penalties ranging from fines to suspension of trading.

Risks relating to Operational Systems and Information Technology

The Company relies on information technology systems to do its work, and it takes security measures to protect its technical systems. However, it may be exposed to risk of malfunction, including the collapse of the system and failure or breach of security, viruses, human errors, natural disasters, fires and errors of communication and lack of skilled labor necessary for the operation and management of these systems. If a significant malfunction or failure occurs repeatedly, it will negatively affect revenues (Please refer to «Information Technology Contracts» section).

The Company is currently working on development of technology systems to accelerate and organize extraction of financial statements. The Company is currently collecting information extracted from three programs as it does not have a unified system to do that automatically. The calculation of some items of financial statements in the system, such as provision for unearned premiums, deferred underwriting expenses and unearned commissions are not automated. Despite the Company's care of information accuracy, lack of development of IT system will result in slow issuance of financial statements or human errors leading to inaccuracy of outputs.

Risk of Credit Rating

The Company has not yet applied to get a credit rating, and if it applies for that, there is no assurance that the Company will have a good rating if its risks are higher than the standard limits in the insurance market, which could adversely affect the Company's business.

In addition, as per the cooperative insurance companies control law and its Implementing Regulations, the Company, in case of reinsurance, must select a reinsurer with a minimum of BBB rating from Standard & Poor's ("S&P") or its equivalent rating from a recognized international rating organization. If the insurer has a rating less than BBB or equivalent rating, the Company should cease reinsurance arrangements with it, unless the Company obtains written approval from the SAMA to continue with such reinsurance arrangements. The Company may be forced to stop all arrangements will that reinsurer and work with another reinsurer, which will increase the costs incurred by the Company. Failure to comply with applicable requirements of Implementing Regulations could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risk Management and Control Policies

The Company relies on cooperative insurance regulations and the Company's risk management regulation (to be submitted monthly) in drawing Risk Management, Measurement and Control policy. Failure to implement, update or obtain adequate information to respond in a timely manner will expose the Company to a variety of risks, including, for example, non-compliance with regulations, which will adversely and significantly affect the Company's financial condition and results of operations.

Insurance companies usually use multiple financial and investments tools for the purpose of reducing the risks associated with its business. In such cases, the Company is required to get the approval of SAMA before the use of such financial tools (the Company has not submitted a request to SAMA to obtain approval to use any financial instruments until the date of this Prospectus). But in case any of these financial instruments are used without the approval of SAMA, the Company will be subject to various sanctions contained in the regulation, including the withdrawal of the license.

It should be noted that the Company established a Risk Management Committee, but has not been activated until the date of this prospectus. In addition, the Director of Risk Management positions is still vacant until the date of this prospectus, although the Company is obligated to fill that position according to the Implementing Regulations of the Cooperative Insurance Companies Control Laws issued by SAMA. Failure to activate the role of the Risk Management Committee and fill the vacant position will lead to limitations in future risk assessments as required. In addition, the Company will be exposed to accountability or penalty by SAMA, which will adversely affect the Company's ability to face future risks, and negatively affect its performance and financial condition.

Disputes and Litigations Claims

In the ordinary course of its business, the Company may be exposed to lawsuits and legislations relating to insurance operations and disputes and claims relating to the insurance coverage. No assurance can be given by the Company that it would not have disputes with some policyholders that could lead to lawsuits filed with competent judicial authorities. As a result, the Company may be subject to governmental or administrative audits and investigations and proceedings in the context of new controls on the insurance industry in the Kingdom. The Company cannot predict the results of these audits, investigations and proceedings if they occur, and cannot guarantee that these audits, investigations or lawsuits will have material impact on the Company's business, financial conditions and results of operations. The Company also cannot predict the exact volume of costs of litigation or legal proceedings that could be filed by or against it, or the final outcome of these lawsuits, or passed judgments including compensations and penalties, that could have negative consequences and could adversely affect the Company's operations and financial results.

Lack of Success in Development or Expansion

The Company's development strategy is to establish and develop insurance and re-insurance schemes in the Kingdom. The possibility of implementation of this strategy depends on the quality of management, in addition to external factors related to government regulations and decisions issued by the regulatory organizations and competitors. There is no assurance that the Company would succeed in development of its insurance activity. Failure of the Company to implement its plans, would have a negative impact on the continuity of the Company, especially in light of the strong competition with other insurance companies, which in turn will affect the Company's results of operations and financial condition.

Protection of Trademark

The Company's competitive position depends, among other factors, on its ability to use its name and logo on its services through services marketing and selling tools. Failure of the Company to prevent violation of its rights in the jurisdiction state in which the Company practices its work could have a negative impact on its trademark and can make the practice of its activity more expensive and thus affect the Company's operation results. Perhaps the Company's business would be more affected if it has to compete with similar trademarks in major markets in which it operates and does not have proprietary rights.

Customer Concentration

In 2011G and 2012G, the Company largely depended on means of direct sales, either through main branches or selling points spread throughout the Kingdom, or through its sales and marketing team. In 2013G and mid-2014 the Company began to diversify the means of selling using brokers and agents, where it made contracts with two agents to sell motor Mandatory insurance and health insurance products, in addition to signing deals with a number of brokerage firms. Sales thru brokers/dealers accounted for about 12%, 9 % and 51% of the Company's sales for the years 2011G, 2012G, and 2013G respectively, and 39% as of 30/06/2014. Premiums written by non-exclusive brokerage companies, Al-Ma'moon Overseas Insurance Brokers Co. Ltd. which is a related party, constituted 10%, 8% and 10% of the total premiums written for the years 2011G, 2012G and 2013G, respectively, and 16% at 30/06/2014. The Company also increased its focus on the individual sector (accounting for about 25% and 56.5% and 63.6% for the years 2011G, 2012G and 2013G, respectively, of the total premiums written, and 60.4% as at 30/06/2014). The Company's recent focus on individuals sector makes it vulnerable to low percentage of renewal of individual insurance contracts. In addition, there is no law or regulation issued to make health insurance Mandatory for Saudi Nationals or dependents of non-Saudi Individuals. Any decline in the proportion of renewal of individual insurance contracts, and the inability of the Company to offset the shortfall from Corporate sector, will adversely affect the Company's operations and financial condition.

Also, it should be noted that the Company concentrates on the Central Region, where it realized total revenues of 57%, 74.7%, 48.6% and 41.9% during the years 2011G, 2012G and 2013G, and the period ended June 30, 2014G, respectively, followed by Western Region and then Eastern Region (Please see «management's Discussion and Analysis section of the Company's financial condition and operation results »). The Company's substantial focus on the Central Region and lack of distribution of risks to geographic areas deprives the Company from getting a larger share in insurance market and thus adversely affects its financial results.

Therefore, it can be said that the Company's focus on brokers, agents, or specific region will affect its ability to diversify its customer base, in case of decrease in sales of brokers, agents and sector, and that will have a negative impact on the Company's market share and operating results.

Credit Risk Relating to Customers

Credit risk is the risk associated with the ability of the insured or the customer to meet its obligations or failure to discharge them, and this risk includes all types of insurance. Procrastination or failure to fulfill payment of due amounts by the insured, will negatively affect the Company's financial condition and results of operations.

As per Article 6 of the Unified Mandatory Motor Insurance Policy issued by SAMA, the insurance companies will be obliged to compensate party/parties (non-insured) for consequences of accidents covered under third party insurance policy. Insurance Company has right to charge the insured, driver or the party held accountable for the accident to recover the amounts paid to other parties «if the charge is justified». Therefore, when charging the insured, the driver or the party responsible for the incident to refund the amount paid by the Company, they may discharge their obligation of payment, resulting in high risks which will negatively affect the Company›s financial condition and results of operations.

Risk relating to Zakat and Withholding Tax

The Company follows standards of International Financial Reporting Standards (IFRS) in preparation of its financial statements and Zakat calculation, while DZIT follows standards of Saudi Organization for Certified Public Accountants (SOCPA) in calculation of Zakat, which resulted in differences of annual Zakat assessment between the Company and DZIT. Since 2010G, the Company has been filing objections to DZIT claims (assessments), and it has paid the full Zakat of amount (2.1) Million Saudi Riyals due for 2010G, in the fiscal year 2013G. Zakat for the years 2011G to 2013G is still pending, and the Company has obtained Temporary Zakat Assessment Certificates, not the Final Zakat Assessment Certificates.

It should be noted that the difference in calculation of Zakat between the Company and DZIT caused difference in Zakat base on which due Zakat is calculated. There are a number of disputed items between the Company and DZIT, namely: the solvency margin, the statutory deposit, and investments.

The difference in identification of zakat base elements and items leads to differences in assessment of zakat due from the Company. Therefore, if the Company is forced to pay amounts different from its assessment, it will be exposed to pay more amounts, which will adversely affect the cash flow of the Company and thus on its operations and operating results. (Please see «Zakat» in «Management›s Discussion and Analysis of the Company›s financial condition and Results of Operations»).

The Company cannot predict any zakat differences that DZIT may request the Company to pay, in order to get final Zakat Assessments. Zakat estimation is still under assessment by DZIT, and the final amounts of zakat have not been determined. Any unexpected large amounts of Zakat will have negative impact on the Company›s business, financial condition, results of operations and prospects.

The Company is also subject to withholding tax in accordance with provisions of Tax Regulations in the Kingdom issued by DZIT, by 5% of the total premiums of reinsurance assigned to reinsurance companies outside the Kingdom. The risk here is to what extend the Company will comply to pay withholding tax in accordance with the rules, or delay payment which will expose the Company to imposition of delay penalty according to the rules, causing the Company to incur more costs and thus adversely affect the Company›s profitability and financial results.

Fluctuation of Currency Exchange Rates

The Company has transactions in US dollars only with reinsurers outside the Kingdom at the present time. Therefore the Company exposed to potential impact of any change or cancellation of the fixed exchange rate of Saudi Riyals against US dollar. It should be noted that the Company does not currently hedge against exposure to any fluctuations in exchange rates between US dollar and Saudi Riyal or other foreign currencies that may be used in future transactions. This makes the Company exposed to additional costs that may adversely affect the margins of the Company's profits from reinsurance operation, which would have negative impacts on the Company's operations, future prospects and financial condition.

The Risk of Changes in the Important Accounting Standards and New Standards

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) (not in accordance with the acceptable accounting standards in the Kingdom issued by the Saudi Organization for Certified Public Accountants SOCPA). In this case, the Company should adhere to amendments or changes made on these standards from time to time. «Nature and impact of each new standard and important amendments are presented in «Management Discussion and Analysis of the Company's Financial Position and Operations Results». Therefore, any changes to these standards or mandatory application of some of the new standards will affect the financial statements of the Company and consequently its financial results and financial condition.

2 - 2 Risks Relating to the Market and Regulatory Environment

Cooperative Insurance Companies Control Law and Implementing Regulations

The Company is subject to applicable laws and regulations relating to insurance sector in the Kingdom, including the Cooperative Insurance Companies Control Law and Implementing Regulations issued by SAMA, which is the main Saudi government body responsible for regulating the insurance sector and is responsible for policies and regulations, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements. Since the Saudi insurance market is one of the ever-evolving emerging markets, it may limit the Company's ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's operations.

Also, if the Company has failed to comply with the applicable laws, regulations and instructions, it would be subject to regulatory penalties including fines, suspension of work, and withdrawal of license to practice insurance activity, which would adversely affect the Company's operations and results of operations.

Solvency Requirements

The solvency margin of the Company is about 22.13% as of September 30, 2014G (solvency margin was 16.2% in 2013G and 27.95% as of June 30, 2014G), which is less than the required solvency margin. According to Articles 66, 67 and 68 of the Implementing Regulations, the Company has to maintain certain solvency levels for different classes of businesses. SAMA imposes various remedial actions for the companies that fail to comply with the solvency requirements levels including the following:

a) Increase the Company's share capital.

b) Amend product prices.

c) Decrease costs.

d) Stop underwriting new policies.

e) Liquidate certain assets.

f) Any other action deemed appropriate to the Company and approved by SAMA.

In case of Company's failure to satisfy the solvency requirements within timeframe set by SAMA and after taking aforementioned actions SAMA may solicit appointment of a financial advisor to restructure the Company or otherwise withdraw the license.

It should be noted that the margin of solvency might be affected primarily by the Technical Provisions that need to be retained, and which in turn is affected by the size of the insurance policies sold and regulations specifying statutory reserve. Also, it is influenced by several other factors, including profit margin, return on investment and cost of insurance and reinsurance. If the Company continued to grow quickly, or if required limits of solvency increase in future, the Company might have to increase its capital to meet the required solvency limits, which could lead to inflating the capital. If the Company is not able to increase its capital, it might be forced to limit the growth of activities and accordingly not to declare any dividends. Or it might result in application of proceedings against the Company that might reach withdrawal of its license in some exceptional cases. SAMA periodically requires additions or changes to solvency margin requirements, which may lead to a negative impact on results of operations and financial condition through allocations of additional reserve. The Company's ability to effectively manage risks and properly price its products to maintain the required solvency margin will represent a major challenge.

Reporting Requirements

The Insurance Law and its Implementing Regulations require the Company to periodically file financial statements and annual reports, prepared on regulatory accounting basis, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership, financial condition with annual statement of total contingent commissions paid. The Company could be subject to regulatory actions, sanctions and fines if SAMA believed that the Company has failed to comply with any applicable laws or regulation. Any such failure to comply with applicable laws could result in the imposition of significant restrictions on the Company's ability to conduct its business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

Also, the Company may be subject to penalties and fines in the event it fails to fulfill the requirements of the Capital Market Authority and the Listing & Disclosure Rules force in effect in the Saudi Stock Exchange (Tadawul).

Risks of Business Plan

SAMA's approval for issuing priority right shares does not constitute implied approval of all the items of the Company's business plan. Some elements of the business plan may need SAMA's approval later, and in case SAMA did not approve some of the business plan items, it would lead to incapability of the Company to implement its expansion plans and thus would have negative impact on the Company's business and operational results.

Withdrawal of Insurance License

The Company has obtained SAMA's license to practice insurance activities on 15/06/1431H (29/05/2010G) under certain conditions, and has renewed this license to a three-year period that expires on 14/06/1437H (23/03/2016G). In case the Company could not continue to satisfy these conditions, its license might be withdrawn.

Article 76 of the Implementing Regulations states that SAMA has the right to withdraw the license of the Company in the following cases:

a) If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;

b) If the Company does not fulfill its requirements of the Insurance Regulations;

c) If it is established that the Company has deliberately provided SAMA with false information in its licensing application;

d) If the Company becomes bankrupt;

e) If the Company deliberately conducts business in a fraudulent manner;

f) If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements under Article 68 of the Implementing Regulations;

g) If the business or volume of the Company's activities in the classes of insurance falls to a limit that SAMA deems unviable for the Company to operate under;

h) If the Company refuses or delays payments, due to beneficiaries, without just causes;

i) If the Company refuses to be examined or to produce its accounts, records, or files for examination by the inspection team appointed by SAMA; and

j) If the Company fails to pay a final judgment against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to continue to conduct its business legally in Saudi Arabia, and it might be liquidated.

Risks relating to non-compliance with the Implementing Regulations for the Cooperative Insurance Companies Control Laws with respect to foreign investment

Paragraph (1) of Article 61 of the Implementing Regulations indicates that investments outside the Kingdom should not exceed 20% of total investments. In 2013G, investments outside the Kingdom, with Buruj, were about 27% of the total investment portfolio, which was not in compliance with that Article of Regulations. Investments dropped to 21% in March 2014 and then to 18% in June 2014G, and as such the Company was able to adhere to the above mentioned Article. Failure of the Company to comply with or maintain that rate in future may lead to investigation and imposition of a fine on the Company and may adversely affect its operating results.

Risks of noncompliance with Reinsurance Regulations in the Kingdom

SAMA requests that reinsurance contracts (Optional and Proportional) with reinsurers in the Kingdom shall not be less than 30% of total reinsurance. Re-insurance percentage with Companies in the Kingdom has reached about 29%, as at the first quarter of 2014G (18% in 2013G). The Company was able to raise this percentage to 35% in the second quarter of 2014G . The Company's inability to maintain that ratio in compliance with SAMA requirements will expose it to accountability and taking regulatory actions against it (including, but not limited to, financial fine, requesting the Company to restructure its reinsurance strategy and policy, request the Company to stop underwriting insurance risks that require arrangements of reinsurance outside the Kingdom, and others as duly deemed by SAMA), which would have a negative impact on the Company's activity and operational results.

Compliance with the Council of Cooperative Health Insurance Regulations

After being approved by SAMA, the medical insurance products offered by the Company are subject to control by the Council of Cooperative Health Insurance (the "CCHI"). The CCHI regulations require the Company to comply with the provisions of regulations for offering of medical products. These provisions are as follows:

a) The insurance Company shall provide specialized medical staff to process the approvals within time ceiling not exceeding 60 minutes, and in case of non-approval, reasons shall be officially clarified.

b) The insurance Company shall pay the medical service providers as hospitals and clinics within the timeframe not exceeding 45 days.

The Company's non-compliance with CCHI's regulations may entail investigations and penalties including withdrawal of the license to provide medical services products, and in the event of non-renewal of the license, the Company will not be able to sell and market health insurance product, which may adversely affect the Company's operations.

Stop the access authority of the Company to Issue Individual Insurance policies on the national network system of the Cooperative Health Insurance

The Company received on 21/12/1435H, corresponding to 15/10/2014G, the letter No. 3531/3531 of CCHI regarding suspension of the Company's authority to issue individual insurance on the national network of CCHI effective15/10/2014G until the Company corrects its position and recommitments to properly apply the cooperative health insurance. This suspension will have a negative impact on the Company's sales, and it is expected to experience a decline in sales and results for the fourth quarter of 2014G and subsequent periods, until the Company corrects its position in order to be relicensed to issue individual insurance policies on the national network of cooperative health insurance system. If the suspension is continued and not lift, it would negatively affect the Company's sales and accordingly the Company's operations, financial results and financial condition.

Insurance Market growth

The growth rate of the Saudi Arabian insurance market may not be as high and sustainable as currently anticipated by the Company. This may be the case even though the Company expects the insurance market in Saudi Arabia to expand and the penetration rate to rise with the growth of the Saudi Arabian economy and population, continued social welfare reforms, demographic changes and the opening of the Saudi Arabian insurance market to foreign participants.

The impact on the Saudi Arabian insurance industry of certain trends and events, such as the pace of economic growth in Saudi Arabia, and ongoing reform of the social welfare system is generally prospective and is currently not clear. Consequently, the growth and development of the Saudi Arabian insurance market is subject to a number of uncertainties that are beyond the control of the Company.

For example, marine insurance business witnessed a decline in demand, as Marine Insurance coverage is usually provided to companies from other foreign parties for shipments destined to Saudi Arabia. Also, it should be noted that most marine insurance Company's clients are former clients of "Saudi Pearl Insurance Co., Ltd.", where Buruj Company acquired its insurance portfolio in 2012G. As marine insurance commission is high, the marine insurance accounts for about 19% of IPOs surplus in 2013G (and about 6% of the total premiums written). The lack of new customers or non-renewal of policies by existing clients may lead to lower market share of the Company in this activity and thus lower underwriting surplus, which will affect the Company's operating results and financial condition.

Limited historical data on the Market

Although the Saudi market is not new to the concept of insurance, it has only been organized in last ten years. So, information and historical data required to accurately build insurance tables have not been collected. Therefore, insurance companies depend, on estimation of losses and assessment of premiums, on estimates not to the required level of precision, and to certain extent they are unreliable and thus increase the rate of risks for insurance portfolios, leading to more losses, which in turn adversely affect the Company's business, operation results and financial condition.

Lack of and Importance of Insurance Cultural Awareness in KSA

Society's perception towards the insurance sector is a primary factor for success of this sector. However, there are risks on society's perception on the insurance sector in general as it sees that the sector does not play a key role or operating under scope of services that do not comply with the principles of solidarity and Shari 'a and society may lose confidence in the sector and this may adversely affect the Company's business and financial results.

Competition

The Company is likely to find itself operating in an increasingly competitive environment, as the number of licensed insurance companies has reached 35 and they are in severe competition to increase their market share. Competitive position of the Company is based on many factors, including financial strength, the geographical scope of its business, business relations with customers, premiums charged, terms and conditions of policies issued, services and products offered, including the Company's ability to design insurance programs, according to the requirements of the market, quick payment of claims, Company's reputation, experience and efficiency of the staff and their presence in the local market. There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

a) Reducing margins and spreads

b) Hindering the growth of the Company's customer base

c) Reducing market share

d) Increasing turnover of management and sales personnel

e) Elevating operating expenses, such as sales and marketing expenses

f) Increasing policy acquisition costs

Drop in Customers' Confidence

Customers' confidence in the international insurance sector is vital to enhance the sector strength. Any drop in customers' confidence towards insurance sector as general may result in an increase in cancellation of insurance policies and refund of monies which may adversely affect the Company's sales and consequently the financial conditions and operation results of the Company.

Obtain Necessary Approvals for Offering New products and Renewal of Existing Approvals

Based on a new Cooperative Insurance Companies Control Law and Implementing Regulations for offering new insurance products, the Company has to get SAMA approval before marketing or offering any new product. Also, periodically, it should are news approvals for products that already got approval. Any delay in obtaining approvals for new products or renewal of approvals to current products will affect the Company's business, profitability and financial condition in future.

Unforeseen Disaster Risks

Insurance portfolio may be exposed to losses due to disasters as it covers risks of properties, including houses, commercial and residential buildings, factories, warehouses and others (Insurance losses caused by fire, theft, explosions, natural phenomena, and disturbances, etc.). Also disasters can happen for various reasons, natural or non-natural, which are unpredictable, such as sand or snow storms, floods, winds, fires, explosions, industrial accidents, resulting in a deficit of coverage.

The extent of the losses caused by disasters is the result of two things:

a) The total amount at risk insured in the area affected by the accident.

b) The severity of the accident: disasters can cause losses to different types of property and liability insurance. Claims related to disasters may result in large fluctuations in the financial results of the Company in a quarter of the fiscal year or the fiscal year. Serious disaster events could have a material negative impact on the Company›s financial condition and results of operations.

Risks related to Economic and Industry Conditions

The financial performance of insurance companies depends significantly on economic conditions in Saudi Arabia and on global economic conditions that affect the economy of Saudi Arabia. The unstable global economic conditions and significant drop of oil prices may affect the Kingdom's economy. As the economic performance of the Company is somewhat related to the development of the economy in the Kingdom and in the world, the Company's financial results may be affected by changes that may occur, which may result in a decrease in the demand for products and services of the Company. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures, competition and judicial decisions may affect the size of future claims and adversely impact the industry's profitability. The Company cannot predict the impact that future economic and industry conditions will have on its business. Future economic and industry conditions may be unfavorable, and as a result there can be no assurance that future conditions will not materially adversely affect the Company's profitability.

Restriction on Ownership of Insurance Companies

Insurance Law places certain restrictions on owning shares in insurance companies. According to Article 9 of the Cooperative Insurance Companies Control Law, Article 39 of the Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without written approval from SAMA. In compliance with Article 38 of the Implementing Regulations, the Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company shares through a quarterly report, and the person himself shall notify SAMA in writing of his ratio in ownership and any changes thereof within 5 working days of the date of occurrence of such change.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays timely approval, or places conditions that cannot be implemented, which will in turn adversely affect the Company's operations.

Insurance Business Cycle

Global Insurance Sector witnessed periodical changes with significant fluctuations in operating results due to competition, catastrophic events, economic and social conditions and other factors beyond the control of companies working in the insurance industry. That may result in periods with price competition due to the excess of supply, and other periods during which companies will get better premiums. In addition, the increase in recurrence and magnitude of losses that affect the insured can have a significant impact on the mentioned business cycle. The Company's exposure to the negative impacts of these cycles and fluctuations would negatively affect the Company's operations and financial condition.

Political Risks

Shareholders should take into account the geopolitical risks in the Middle East which, in case of aggravating, will negatively affect the Kingdom's economy, and the Company's customers and accordingly the Company's revenues, profits and results of operations. Also such risks would have a negative impact on capital markets and thus lead to a substantial negative impact on the Company's share price and total or partial loss of investments.

Risks Relating to Price Controls

The Company is committed to follow recommendation of the actuary reports and SAMA instructions, which may require changes in prices of Company's policies. The high price of Company's products will lead to a lack of attractiveness and thus draw customers to other companies. Any change in prices in the future will affect the Company's market share and accordingly its sales and results of operations.

Risks relating to Future Statements

Some of the data contained in this prospectus represents forward-looking statements including known and unknown risks, and some uncertainties that may affect the Company's results. These statements include, but not limited to, statements concerning the Company's financial condition, business strategy, plans and objectives for future operations (including development plans and objectives relating to the Company's services). If it is determined that any of the assumptions are inaccurate or incorrect, actual results will vary significantly from the results described in this prospectus.

2 - 3 Risks Relating to the Shares

Effective Control by the Founding Shareholders

The shareholders who own a large number of shares of the Company will be able to influence most matters requiring shareholder approval, may exercise their powers in a manner that could have a significant effect on the Company's business, financial condition, and results of operations, including election of Directors and significant Company transactions and adjust the Capital. They may use this power to influence important decisions in a manner that could adversely affect the Company's business, profits and financial results.

The share of the Company's main shareholder, a GIC (Kuwaiti General shareholding), represents 22.5% of the Company's shares. Collusion of this shareholder with any other shareholders may entail influence on important decisions, specifically those requiring Shareholder's approval, including significant corporate expenditures, appointment and removal of members of the Board of Directors (except as prescribed by Articles 69 and 70 of the Companies Regulations, and Article 18 of the Corporate Governance Regulations.

The lack of commitment by major shareholders to subscribe for rights issue shares will lead to a decline in their shares which may give impression of lack of attractiveness of the Company's shares, and accordingly, a large number of other shareholders may sell their shares. Also, it's possible that new parties, currently unknown, may control the Company, which could have negative impact on important decisions relating to the Company, such as: change of the Company's strategy, distribution of profits, board members appointments and other decisions that lead to fundamental change.

Dividends

Future dividends will depend on, amongst other things, the future profit, financial condition, 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 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 certain limitations contained in the By-Laws and subject to SAMA's approval (Please refer to "Dividends Policy" section and "Summary of the Company's By-Laws" section).

Potential Fluctuations in the Share Price

The market price of the Company's Rights during the Offering period may not be indicative of the market price of the Company's Shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market's trends in connection with the Rights or the Company's existing Shares. These fluctuations may also result from several factors including, without limitation, market conditions for equity, any regulatory changes in the insurance sector or conditions and trends of the insurance sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures and sale of shares in the subsidiaries, changes made by experts and securities analysts concerning the financial performance estimates. Selling substantial quantities of Shares by the shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

There is no guarantee that the market price of the Company's Shares will not be lower than the issue price. If this happens once the investors have subscribed for the New Shares, such subscription may not be cancelled nor amended; therefore, the investors may immediately suffer from unrealized losses. Moreover, there is no guarantee that the Shareholder will be able to sell his Shares at a price equal or higher than the issue price after subscribing for them.

Potential Fluctuations in the Price of the Rights

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant 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. In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights.

Lack of Demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Company's Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares obtained by an Applicant either (a) through subscription to the Rights, (b) during the Rump Offering or (c) in the open market.

Speculation Relating to the Rights

Speculation relating to the Rights Issue may cause material losses. The limits of price change allowed for the trading of the Rights ("share's indicative value") exceeds the percentage of the shares' prices (by 10% upward or downward). There is also a direct correlation between the Company's share price and the share's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for 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 may incur some losses. Thus, the investors should review the full details of the mechanism of listing and trading of Rights and New Shares and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

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.

Failure to Exercise the Rights in a Timely Manner

The subscription period will start on Tuesday 18/06/1436H (corresponding to 07/04/2015G) and end on Tuesday 02/07/1436H (corresponding to 21/04/2015G). 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 Instructions" 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. This happens in the event that investment institutions subscribe on the same offering price, or they don't subscribe, and the underwriter purchase shares at the offering price.

Expiry of Lock-up Period

Upon establishment and listing of the Company's shares on 01/03/1431H (corresponding to 15/02/2010G) the Founding Shareholders whose aggregate shareholding was 60% of the Company's total shares were restricted from selling their Shares in the Company for a period of 3 full fiscal years elapsed after announcement of the financial results for fiscal year 2013G and the founding shareholders have the right to dispose their shares after obtaining SAMA and CMA approvals.

The Company has obtained approvals of SAMA and CMA to lift the lock-up on sale of shares of (8) founding shareholders out of (15). Two founding shareholders, Anwal United Trading Co., which owns 2% of the shares and Gulf United Investments Co., which owns 4% of the shares have not received CMA approval to lift the ban although they got approval of SAMA.

The founding shareholder and the strategic partner "Gulf Insurance Co." which own 22.5% of the Company share, will also obtain SAMA and CMA approvals to right to dispose their shares.

The sale of a large number of the Company's shares in the Saudi stock market after the IPO is completed, or the likelihood of such a sale, could adversely affect the shares price. The sale of a number of shares by founding shareholders - especially the strategic partner– would adversely affect the Company's stock value, and thus lead to lower their price in the market, and would have negative impact on the expected returns, or lead to loss of part all their investment in the Company.

3. Market Overview

3 - 1 Sources of Information

In this Prospectus, information and data regarding insurance industry and market have been obtained from different sources, and the Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the Company nor any of its advisors whose names appear in on pages F and G of this Prospectus have a 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 referenced sources include:

- Estimations and projections of the Company.
- Information and analysis regarding insurance industry and the economy, which has been obtained from sources and publications issued by other parties, and publicly available and can be obtained via the internet and therefore written consent to use this information in the Prospectus has not been sought. They include the following sources:

a. Annual Report of SAMA for the fiscal year 2013G

SAMA was established in 1372H (1952). The main Functions of SAMA include: Issuing national currency; acting as a banker to the Government; supervising commercial banks; managing the Kingdom's foreign currency reserves; conducting monetary policy to promote price and exchange rate stability; promoting growth and ensuring the soundness of the financial system; organize and supervise the work of insurance and reinsurance companies and service providers. "The annual report of SAMA for the fiscal year 2013G" has been used in this prospectus. It is obtainable from internet and therefore no consent has been pursued to use such information.

b. Central Department of Statistics and Information

Central Department of Statistics and Information (CDSI) was established as per the General Statistics Regulation of the Kingdom promulgated by Royal Decree No. (23), dated 07/12/1379H, and considered as the only official reference of statistics in the Kingdom of Saudi Arabia. The regulation also specified tasks and functions of CDSI, and it has been entrusted to do all kinds of necessary statistical operations for population and social and economic areas. CDSI is responsible to provide governmental departments, public and private institutions and individuals with information and statistical data. The statistical data available on CDSI web interest site has been used, in addition to the preliminary results of the General Census of Population and Housing in 2010G. Therefore no consent has been pursued to use such information.

c. Swiss Reinsurance Company ("Swiss Re»)

Swiss Re is a leading company in the field of reinsurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than twenty five (25) countries and publishes a range of reports on insurance markets worldwide. These reports are publicly available and obtainable from their website. The information obtained from Swiss Re as used in this Prospectus is publicly available and can be obtained via the internet and therefore written consent to use their reports in the Prospectus has not been sought. Neither Swiss Re, nor any of its subsidiaries, shareholders, directors or Relatives has any interest in the Company. "International Insurance Market Review Report 2013G" report has been used.

3 - 2 Saudi Economy at a glance

Saudi Arabia's economy is among the world's largest economies and ranked at 20 by Global Insight, which adds to the relative importance of the Kingdom, which sits on the throne of oil export. It is likely that the Saudi GDP will grow during the current period, for realistic reasons, including the ability to boost oil production and with oil prices remaining high, as well as opportunities to raise spending levels.

As per the Central Department of Statistics and Information, nominal GDP size, i.e. at market prices- without taking into account the factor of inflation – reached about SAR 2,554 billion in 2013G. On this basis, the size of the Saudi economy is more than its counterparts in a number of European countries such as Sweden, Poland, Belgium, Norway and Austria. This means that the economies of 19 countries in the world in terms of financial value, practically, overtop Saudi economy.

The Saudi GDP is the biggest among the Arab Countries, and that explains the membership of the Kingdom in the Group of Twenty, which includes the world's largest economies.

Saudi Arabia's economy is also the largest economy in the Middle East, contributing about 24% of GDP for the region. According to the forecasts of Global Insight, the Saudi Arabia's GDP contribution in GDP of the Region will remain stable at about 24% during the rest of this decade.

In the same context, the contribution of the Saudi economy in the Gross Domestic Product of the GCC countries is estimated by about 49% in 2011G, according to International Monetary Fund statistics. It is expected that this ratio remain stable through the rest of this decade.

Table 3.1: Some major economic indicators of the Kingdom of Saudi Arabia

Details	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (SAR Billions (	1,691	2,163	2,356	2,554	2,772	2,986	3,212	3,396	3,957
Per capita nominal GDP (SAR)	61,591	77,031	82,091	87,103	92,604	97,784	103,137	106,93	125,951
CPI (change(%	5.36%	4.98%	4.71%	5.08%	4.74%	4.46%	3.89%	3.38%	3.30%
Exchange rate (SAR/ US ($	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Short-term interest rate	0.74%	0.69%	0.83%	0.81%	0.91%	2.37%	5.54%	5.97%	6.05%

Source: Central Department of Statistics and Information, and Saudi Arabian Monetary Agency (SAMA).

Nominal GDP of the Kingdom of Saudi Arabia is expected to continue to grow annually at a rate of 7% during the period from 2012G to 2018G. It is also expected that per capita nominal GDP to grow in a stable manner at rates ranging between 5% and 6% during the same period.

The strong financial condition of the Kingdom is one of the fundamental reasons behind the strength of the Saudi economy, where the Saudi Government has a very low debt levels, allowing the government to respond to any economic developments by adjusting monetary and financial policies, in a flexible manner that ensures safety of the economy.

It is expected that GDP of the Kingdom will remain at sound grow rates over the coming years despite the volatility in oil prices and production. This is due to the potential positive effects of new mega-projects and economic reforms implemented by the Government, through its policy to increase annual spending regardless of possible deficit.

Economic diversity, away from the oil sector, is the main driver for long-term economic growth in the Kingdom, with continuation of privatization program as one of the important strategies of the Saudi government in an effort to reduce dependence on the oil sector. It is worth mentioning that the oil and gas sector contributed to about 44.7% of the GDP of the Kingdom during 2013G.

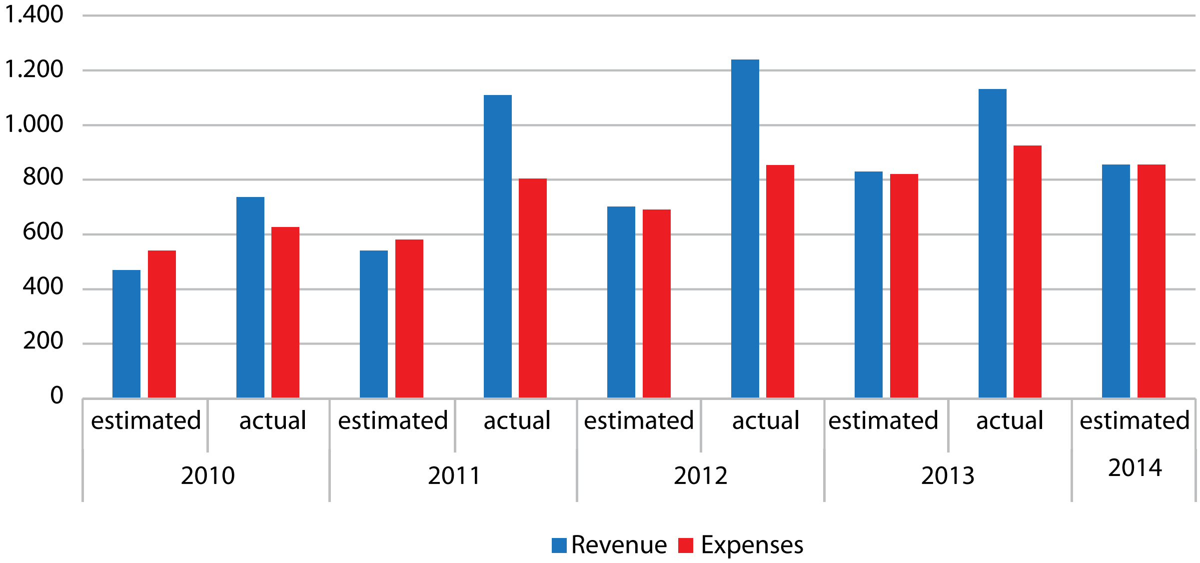
With regard to the general budget of the Kingdom, and as per the Ministry of Finance reports figures, in 2013G the estimated budget of the Kingdom was expected to achieve revenues of SAR 829 billion versus expenses of SAR 820 billion, which means a surplus of SAR 9 billion. However, actual revenues were SAR 1,131 billion compared to expenses of SAR 925 billion, which means a significant surplus of SAR 206 billion. At the beginning of 2014G, the government announced estimates of the budget, where it expected that both revenues and expenses would be equal with SAR 855 billion for each. The following table and figure illustrate this as follows:

Table 2.3: KSA budget, 2010 to 2014G

	2010			2011			2012			2013			2014
(SAR Billion)	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated
Revenues	470	735	56.40%	540	1.11	105.50%	702	1.24	76.60%	829	1.131	36.40%	855
Expenses	540	626	15.90%	580	804	38.60%	690	853	23.60%	820	925	12.80%	855
Surplus/ Deficit	-70	109	-	-40	306	-	12	387	-	9	206	-	0

Source: Saudi Arabian Monetary Agency (SAMA), Ministry of Finance.

Figure 1.3: Comparison between revenues and expenses in the budget of the Kingdom of Saudi Arabia (estimated and actual)



Source: Central Department of Statistics and Information- Ministry of Economy and Planning, Ministry of Finance reports

Saudi Arabia seeks to improve the investment environment and attract more investment as established in the Ninth Development Plan, which is considered to be the second cycle in the current long-term strategy of the Kingdom›s Economy, with a timeframe covering the next fifteen years.

3 - 3 Demographic situation

CDSI's data indicates that total population of Saudi Arabia reached about 29.99 million people in 2013G compared to 23.21 million people in 2004G. It is expected that the total number of people in the Kingdom will grow up to 31.75 million people by 2017G.

Kingdom's population is predominantly young people, as 60% of the population ages are in thirties or youth segment is between 15-39 years old, accounted for approximately 47% of the total population. According to estimates by market reports and studies, it is expected that the number of the Kingdom's population will be increasing at a compounded annual growth rate of up to 2.07% during the years from 2012-2017G. The following table shows a summary of the preliminary results of the Kingdom's population census as follows:

Table 3.3: Summary of Results of population censuses in Saudi Arabia

National and Gender	2009	2010	2011	2012	2013*	% 2013
Saudis						
Males	9,307,550	9,527,173	9,743,626	9,962,397	10,181,018	33.94%
Females	9,235,696	9,180,403	9,662,059	9,876,051	10,090,040	33.64%
Total	18,543,246	18,707,576	19,405,685	19,838,448	20,271,058	67.58%
Non-Saudis						
Males	5,706,050	5,932,974	6,297,735	6,581,439	6,643,278	22.15%
Females	2,411,561	246,427	2,672,935	2,776,008	3,079,936	10.27%
Total	8,117,611	8,429,401	8,970,670	9,357,447	9,723,214	32.42%
Total						
Males	15,013,600	15,460,147	16,041,361	16,543,836	16,824,296	56.09%
Females	11,647,257	11,646,830	12,334,994	12,652,059	13,169,976	43.91%
Total	26,660,857	27,136,977	28,376,355	29,195,895	29,994,272	100%

Source: Central Department of Statistics and Information- Ministry of Economy and Planning.

* Population estimates are based on the preliminary results of the General Census of Population and Housing in 2010.

Figure 3.3: Gross Underwritten Premiums (Excluding Protection and Saving "P&S") for MENA, 2012G:

Countries	Written Premiums	% of Global Market
Algeria	4,353	0.6%
Bahrain	1,815	0.02%
Egypt	3,873	0.05%
Jordan	2,242	0.03%
Kuwait	2,958	0.04%
Lebanon	3,442	0.05
Morocco	7,226	0.10%
Nigeria	5,077	0.07%
Oman	2,388	0.03%
Qatar	4,657	0.06%
Saudi Arabia	19,575	0.26%
South Africa	37,815	0.51%
Tunisia	2,602	0.03%
UAE	21,551	0.29%

Source: Swiss Re

3 - 4 Overview of the Global Insurance Markets

The insurance sector (except for life) in global markets remained stable for the year 2013G, at a growth rate of 2.5%, without real material change. Insurance premiums growth rate in developed markets was at 1.4% unchanged from the year 2012G. This is due to the global economic slowdown. As for emerging markets, the premiums (except for life insurance) grew by 7.8% in 2013G, slightly down from 8% in 2012G and that in many countries of Central and Eastern Europe and the countries of Southeast Asia due to their dependence on exports and thus vulnerable to further slowdown in the global economy. Despite that, insurance premiums (except for life) have increased at a rate of 13% due to higher car sales and infrastructure projects.

3 - 5 Middle Eastern & North African (MENA) Insurance Market Overview

Although the insurance sector witnessed strong growth rates during the past five years, the region still has a long way to go before becoming a mature insurance sector. Proof of this is low penetration and density rates (Means Gross Written Premiums divided by total population (total GDP), low capitalization rates (Capitalization generally refers to investment in this sector), and legislative regulations compared to more developed international economies.

It is expected during the coming period that MENA countries will open their economies, and governments will endeavor to develop legislative regulations and increase investments which will have positive impacts on the insurance sector. Insurance sectors in the region falls into two categories: the first category is characterized by a small number of companies that monopolize the sector under previous regulatory framework. The second category is characterized by a large number of companies compared to the size of opportunities in the sector and they are considered small companies as per global standards. With the increasing number of insurance companies, the Saudi insurance sector is living a phase of shifting from the first category to the second category.

Table 4.3: Gross Underwritten premiums (excluding protection and savings "P&S") for MENA, 2012G.

Country	Premiums	% Global Market
Algeria	4,353	0.06%
Bahrain	1,815	0.02%
Egypt	3,873	0.05%
Jordan	2,242	0.03%
Kuwait	2,958	0.04%
Lebanon	3,442	0.05%
Morocco	7,226	0.10%

Country	Premiums	% Global Market
Nigeria	5,077	0.07%
Oman	2,388	0.03%
Qatar	4,657	0.06%
KSA	19,575	0.26%
South Africa	37,815	0.51%
Tunisia	2,602	0.03%
U.A.E	21,551	0.29%

Source: Swiss Re

3 - 6 Insurance Market in the Kingdom of Saudi Arabia

The insurance market in Saudi Arabia is relatively recent, as insurance industry used to cover only exportation and oil sectors in the seventies of the last century. Insurance sector faced many difficulties due to the absence of the regulatory laws. There were more than 100 companies registered as foreign entities operating from abroad as international insurance brokers or agents for private insurance companies, for the purpose of providing insurance services in the Kingdom, and these companies were registered in Bahrain due to its geographical proximity to the Kingdom. In the absence of a regulatory framework, the insurance policyholders used to suffer from lack of official agency responsible for protection of consumers interests from fraudulent or illegal acts. This paved the way for later reforms and restructuring of the insurance sector in the Kingdom, where resolution No. 51 dated 04/04/1397H (23/03/1977G) issued by Council of Senior Scholars in Saudi Arabia, considering that Cooperative Insurance as a model of donation and therefore it is acceptable in Islamic law. In 1406H (corresponding to 1986G), the government established the National Company for Cooperative Insurance "NCCI" as the first cooperative insurance company, in order to cover local insurance needs and to meet the government ambition to have insurance sector under its control.

The Saudi Arabian Monetary Agency (SAMA) is responsible for organizing and supervising the insurance sector, and developing and implementation of licensing standards for insurance companies. The new law imposes on insurance companies to be registered and licensed in the Kingdom as a public company in order to engage in the insurance business in the Kingdom. The new laws apply not on the insurance companies, but also on reinsurance companies and reinsurance brokers, agents and losses settlement offices.

Domestic insurance sector witnessed a transitional period where existing companies that have not applied for a license have to obtain licenses in accordance with the Cooperative Insurance Companies Law (2003G) or else exit the market, within the grace period having ended on 9th April 2008G. SAMA has allowed the companies whose files already been studied or those who already obtained Royal Decrees and not yet been incorporated to renew their existing clients' policies up to 17th February 2010G.

Structural reforms carried out by the government had led to the growth of insurance sector at high rates in the past few years. Insurance industry has grown from about SAR 10.8 billion in 2008G to about SAR 25 billion in 2013G, with a Compound Annual Growth Rate of 18%.

3 - 7 Cooperative Insurance Companies Control Law and Implementing Regulations

The Cooperative Insurance Companies Control Law was approved 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. SAMA was appointed to act as a regulator and responsible body for the 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 Saudi Arabia must be carried out by insurance companies established and registered in 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 Gross Written Premiums

The gross written premiums had increased by SAR 4.06 billion reaching SAR 25.24 billion in 2013G compared to SAR 21.2 billion in 2012G with a growth rate of 19.2%. Health insurance premiums ranked at the first place as the biggest insurance activity in 2013G, as its contribution to the total gross written premiums decreased from 53% in 2012G to 51% in 2013G. Health insurance is Mandatory to all expatriates and citizens working in the private sector. The General Insurance contribution to the insurance sector increased from 46% in 2013G to 46% in 2013G. Protection & savings insurance maintained its rank as the lowest insurance activity as it represented in the total underwritten premiums 3%, which represents a decrease of 5% of the underwritten premiums in 2013G.

Motor insurance represented about 25% of total premiums written in 2013G, as driver's license insurance is Mandatory requirement.

Figure 3.5: Total value of underwritten premiums by line of business

Type of Insurance	2009		2010		2011		2012		2013		Growth % 12-13
	SAR Million	% Total	SAR Million	% Total	SAR Million	% Total	SAR Million	% Total	SAR Million	% Total	
Health	7,292	50%	8.69	53%	9,708	52.50%	11,285	52.50%	12,895,0	51.10%	14.30%
Motor	3,055	21%	3,239	20%	3,922	21.20%	4,689	21.20%	6,354,7	25.20%	35.50%
Property and Fire	905	6%	959	6%	1,157	6.30%	1,348	6.30%	1,664,5	6.60%	23.40%
Accident and Liabilities and Other	544	4%	507	3%	632	3.40%	691	3.40%	940.8	3.70%	36.20%
Engineering	810	6%	869	5%	913	4.90%	1,077	4.90%	1,199,7	4.80%	11.40%
Marine	525	4%	518	3%	634	3.40%	743	3.40%	740,3	2.90%	-0.40%
Protection and Saving	1003	7%	972	6%	905	4.90%	889	4.90%	844,5	3.30%	-5.00%
Energy	302	2%	329	2%	361	2%	385	2%	456	1.80%	18.50%
Aviation	174	1%	304	2%	272	1.50%	67	1.50%	144	0.60%	114.70%
Total	14.61	100%	16,387	100%	18,504	100%	21,174	100%	25,239,4	100%	19.20%

Source: Saudi Insurance Market Report (2013G) issued by SAMA

3 - 9 Insurance Market Penetration

Insurance penetration is defined as Gross Written Premiums divided by the total GDP.

Over the past five years, insurance penetration has been increasing at a compounded annual growth rate (CAGR) of 3%. In 2013G, insurance penetration increased to 0.9%, up from 0.78% in 2012G. This is mainly due to the modest growth in the GDP (2.5% in 2013G compared to 26% in 2012G). The non-oil sector grew while oil sector declined.

Table 3.6: Insurance Penetration of Total GDP (2009-2013G)

Line of Business	2009	2010	2011	2012	2013	Growth % 12-13
	%	%	%	%	%	
Total General Insurance	0.45%	0.40%	0.36%	0.33%	0.41%	24.70%
Total Health Insurance	0.52%	0.51%	0.45%	0.41%	0.46%	11.50%
Total P&S Insurance	0.07%	0.06%	0.04%	0.03%	0.03%	-7.20%
Total	1.03%	0.97%	0.86%	0.78%	0.90%	16.30%

Source: The Saudi Insurance Market Report (2013G) issued by SAMA

3 - 10 Insurance Density

Insurance density is defined as average expenditure of individual on insurance (Gross Written Premiums per Capita).

Insurance density increased from SAR 725 per Capita in 2012G to SAR 864 per capita in 2013G, which represents a 19.2% increase. Expenditures per Capita on insurance products have increased by an average annual rate of 11% between 2009G and 2013G.

Table 3.7: Insurance intensity of GDP (2009-2013G)

Line of Business	2009	2010	2011	2012	2013	Growth % 12-13
	SAR Million	SAR Million	SAR Million	SAR Million	SAR Million	
Total General Insurance	248,9	247,8	290,8	308,3	393,9	27.80%
Total Health Insurance	287,4	320,2	357,8	386,5	441,7	14.30%
Total P&S Insurance	39.5	35.8	33.4	30.4	28.9	-5.00%
Total	575,8	603,9	682	725,2	864,5	19.20%

Source: The Saudi Insurance Market Report (2013G) issued by SAMA

3 - 11 Retention Ratio by Line of Business

The retention ratio measures the written premiums retained by the insurance Company. It is calculated by dividing the net written premiums (NWP) by the gross written premiums (GWP).

The overall retention ratio of insurance companies in the Saudi market increased to 76% in 2013G from 75.8% in 2012G. This ratio is due to the high retention ratio of Motor and Health insurance which collectively account for around 76.3% of total GWP. In 2013G, the retention ratios for Motor and Health insurance were 94% and 89%, respectively.

Table 3.8: Retention Ratio of premiums by Line of Business

Line of Business	2009	2010	2011	2012	2013	Growth % 12-13
	% of total premiums	% of total premiums	% of total premiums	% of total premiums	% of total premiums	
Health	76.20%	81.90%	84.70%	88.20%	88.80%	0.80%
Motor	96.40%	95.68%	94.60%	94.01%	93.90%	-0.10%
Property and Fire	11.60%	13.20%	11.72%	15.07%	16.92%	12.30%
Accident and Liabilities and Other	44.90%	54.44%	44.30%	47.66%	41.57%	-12.70%
Engineering	15.50%	13.11%	14.38%	15.41%	15.03%	-2.50%
Marine	34.90%	33.84%	32.32%	30.89%	32.62%	5.60%
Energy	1.70%	2.31%	2.05%	1.90%	1.66%	-13.00%
Aviation	0.60%	1.59%	0.46%	3.57%	2.52%	-29.40%
Total	62.40%	72.00%	73.20%	75.90%	76.20%	0.50%

Source: survey report of the Saudi insurance market 2008-2013G, issued by SAMA

3 - 12 Growth factors in the Insurance Market in the Kingdom.

a. Regulatory factors

Obligatory health insurance for non-Saudis has been applied in stages, and in case of imposition of Mandatory health insurance for all Saudi citizens, it will contribute to reducing the burden of free health care incurred by the Country. Mandatory motor insurance will contribute to increasing policies of insurance significantly issued. In case of increased selling prices of crude oil, it will lead to increase in number of registered vehicles and thus increase the demand for protection and insurance during the next four years.

b. Increased awareness among consumers of insurance products

As insurance market in the Kingdom is relatively recent and because of lack of awareness about insurance products, the protection and savings insurance almost does not exist. With the market shift to become organized and developed market and increased awareness among consumers, it is expected that penetration of conventional protection and saving insurance products as well as Takaful products will increase.

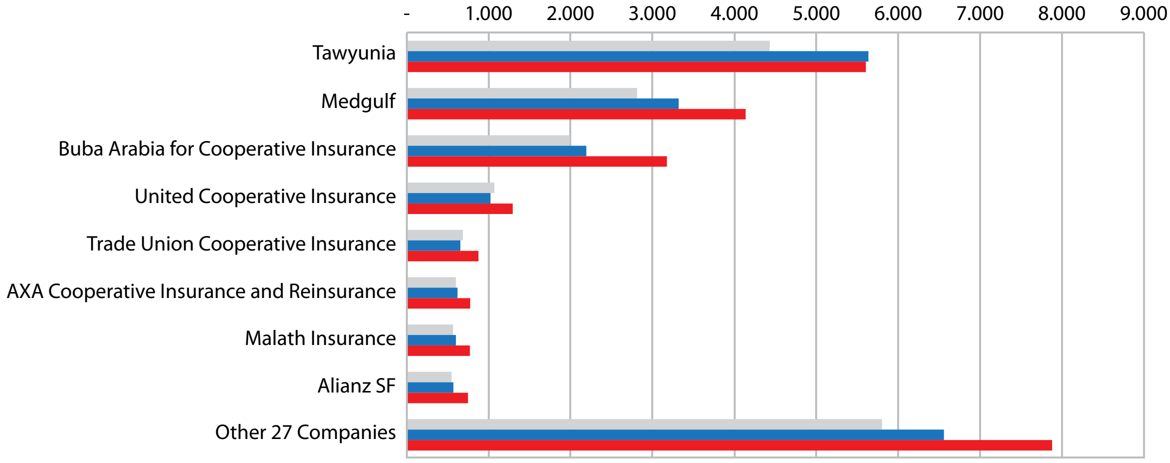
3 - 13 Competition

Currently insurance market witnesses vital changes with a significant increase in the pace of competition, as insurance companies have obtained licenses to work in the Kingdom. With the entry of new firms into the market, it is expected that each company will provide advanced new products to increase market share. Offering new products in the Saudi market, such as credit insurance, mortgage insurance, and recoverable and adjustable life insurance, will raise the diversity and quality of products on the market.

The number insurance companies listed in Tadawul reached 35 as of the date of this prospectus, as follows:

1. National Company for Cooperative Insurance ("Tawuniya")
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
3. Malath Cooperative Insurance & Reinsurance Company
4. Saudi Arabian Cooperative Insurance Company ("SAICO")
5. Al-Ahli Takaful Company ("ATC")
6. SABB Takaful Company
7. Arabian Shield Cooperative Insurance Company
8. Saudi IAIC for Cooperative Insurance ("SALAMA")
9. Gulf Union Cooperative Insurance Company
10. Saudi Fransi Cooperative Insurance Company ("Allianz SF")
11. Sanad Insurance & Reinsurance Cooperative Company ("SANAD")
12. Trade Union Cooperative Insurance Company
13. Al Sagr Company for Cooperative Insurance
14. Saudi Indian Company for Cooperative Insurance
15. Arabia Insurance Cooperative Company
16. Saudi United Cooperative Insurance
17. BUPA Arabia for Cooperative Insurance
18. Saudi Re for Cooperative Reinsurance Company
19. United Cooperative Assurance
20. Saudi Arabian Cooperative Insurance Co. (SAICO)
21. Allied Cooperative Insurance Group ("ACIG")
22. Wiqaya Takaful Insurance & Reinsurance Company
23. Al Rajhi Company for Cooperative Insurance
24. AXA Cooperative Insurance Company
25. Ace Arabia Cooperative Insurance Company
26. Buruj Cooperative Insurance Company
27. Al Alamiya for Cooperative Insurance
28. Gulf General Insurance Company
29. Solidarity Saudi Takaful Company
30. Wataniya Insurance Company
31. Amana Cooperative Insurance Co.
32. Saudi Enaya Insurance Co.
33. Tokyo Marine Saudi Arabia
34. Jazira Takaful Cooperation Co.
35. MetLife AIG ANB Cooperative Insurance Company

Figure 2-3 Market shares of insurance companies in Saudi Arabia by total written premiums for the period 2011G to 2013G:



	Other 27 Companies	Alianz SF	Malath Insurance	AXA Cooperative Insurance and Reinsurance	Trade Union Cooperative Insurance	United Cooperative Insurance	Buba Arabia for Cooperative Insurance	Medgulf	Tawyunia
2011	5.801	548	565	601	684	1.069	1.993	2.811	4.431
2012	6.560	568	601	621	654	1.023	2.194	3.318	5.635
2013	7.879	746	771	776	877	1.293	3.177	4.138	5.605

Source: Saudi insurance market report 2013G, issued by SAMA

3 - 14 Future Developments

The insurance industry in Saudi Arabia is expected to undergo significant developments as a result of several factors, economical and organizational, in addition to the new government policies. Some of these developments are:

- The work environments in licensed companies would be more transparent as they are joint-stock companies and operate under the umbrella SAMA, which is efficient in organization of the banking sector and accordingly the insurance sector.
- Currently, there is no active market for conventional protection and savings insurance, and it is expected the sales of this product will increase in coincide with the increasing awareness among consumers.
- Competition in the health insurance and motor insurance, will lead the insurance companies to develop their products and create new products, such as conventional protection and savings insurance and Takaful insurance, whereas the new and existing companies would like to secure a share in the insurance market.
- Development of the business sector and its increasing needs will lead to the existence of new insurance products to serve these needs.
- Enforcement of Mandatory health insurance for expatriates will lead to continued increase in the customer base.
- Increased competition in the insurance market could lead to lower insurance premium rates and thus lower Company profits. Under such changes, mergers between insurance companies or exit from the market are likely to occur before investments mature and result in significant returns.
- Saudi market will be attractive to many insurance companies, despite the fact that SAMA data, with respect to capitalization of companies under incorporation, indicates that most of them will not get a large share of the Saudi market.
- Imposition of the statutory reserve will increase the financial performance of the companies.

4. Company and Business

4 - 1 Key Overview

Buruj Cooperative Insurance Company, a Saudi joint stock company established under Royal Decree No. (M/72), dated 28/10/1429H (Corresponding to 29/10/2008G), and the Ministerial resolution No. (313) dated 27/10/1429 H (Corresponding to 28/10/2008G). Its headquarters address is: Canary Center- Prince Abdul Aziz bin Mosa'id Ben Jalawi Street - Sulaimaniya District – Riyadh. It was registered in the commercial register number (1010280606) dated 02/10/1431 H (Corresponding to 26/01/2010G). It is authorized to engage in insurance per the Saudi Arabian Monetary Agency license No. (TMN/28/2015G) dated 15/06/1431H (Corresponding to 29/05/2010G G). The Company operates in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as the other rules and regulations in force in the Kingdom. The Company operates in Saudi Arabia through its licensed branches in addition to a number of points of sale distributed in most of the cities and regions.

The current Company's capital is (SAR 130,000,000) one hundred and thirty million Saudi Riyals divided into (13,000,000) thirteen million ordinary shares, at a nominal value of ten (10) Saudi Riyals per share.

The Board of Directors has recommended in its meeting held in Riyadh on 28/11/1433H (Corresponding to 14/10/2012G) to increase the Company's capital to become (SAR 250,000,000) two hundred and fifty million Saudi Riyals through the issuance of (12,000,000) Right Shares (twelve million shares) at a value of (120,000,000) one hundred and twenty million Saudi Riyals at a nominal value of ten (10) Saudi Riyals per share, in order to comply with and maintain the required solvency margin. The Company has also received the final approval of the Saudi Arabian Monetary Agency per the letter No. 351000123147 dated 24/09/1435H (Corresponding to 21/07/2014G) to increase the Company's capital in the amount of (120,000,000) one hundred and twenty million Saudi Riyals through Rights Issue. On 12/06/1436H (01/04/2015G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company's capital.

4 - 2 Company's Activity

According to Article (3) of the By-Laws, the purposes for the licensed Company are specified as follows:

Exercise, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, as well as the regulations and rules in force in Saudi Arabia, the cooperative insurance business and all related activities to include reinsurance, agencies or representation, correspondence or brokerage. The Company has the right to perform all the work that needs to be undertaken to achieve its objectives, whether in the field of insurance or through the investment of its funds. The Company has also the right to own and move the fixed and cash funds, sell, replace or lease directly through the Company itself or through companies it established or purchases or in conjunction with others. The Company has been licensed to practice the following main insurance services: (1) General Insurance (2) Health Insurance. It is not permissible for the Company to offer its products prior to obtaining approval (either final or temporary) from the Saudi Arabian Monetary Agency (SAMA) for each product (pursuant to Article (16) sixteen of the Implementing Regulations) knowing that the Company has so far received final and temporary approvals from SAMA for a number of its insurance products, which are as follows:

- **Final Approvals:**

1. Marine cargo and land transit Insurance Policy (open cover).
2. Marine cargo Insurance Policy (Open cover).
3. Marine cargo Insurance Policy (Single shipment).
4. Final approval for marketing and issuing •Fidelity Guarantee Insurance Policy.
5. Contractors All Risk Insurance Policy.
6. Erection All Risks (EAR) Insurance Policy.
7. Contractors' Equipment and Machinery Insurance Policy.
8. Machinery Breakdown Insurance Policy.
9. Electronic Equipment Insurance Policy.
10. Contractors' Materiel and Equipment Insurance Policy.
11. Boiler and Pressure Vessel Insurance Policy.
12. Deterioration of Stock in Cold Storage Insurance Policy.
13. Machinery Breakdown Loss of Profit Insurance Policy.
14. Group Life Insurance Policy.
15. Comprehensive Commercial Motor Insurance and Compulsory Motor Insurance Policy.
16. Cooperative Health Insurance Policy.

- **Temporary Approvals:**

1. Money Insurance.
2. Accident Damage Insurance.
3. Public Liability Insurance Policy.
4. Workmen Compensation Insurance Policy.
5. Property Insurance Policy.
6. Medical Malpractice Liability Insurance
7. Incident Insurance Policy.
8. All Risks Property Cover Insurance Policy.
9. Motor Insurance Policy - executive guarantee
10. Motor Insurance Policy - Golden guarantee.
11. Motor Insurance Policy - Silver guarantee.
12. Motor Insurance Policy - Bronze guarantee.
13. New Vehicle Guarantee Insurance Policy.

4 - 3 Incorporation phases

The Company was founded in 2009G, where the Founding Shareholders subscribed at the time for a total of (7,800,000) seven million, eight hundred thousand shares representing 60% of the Company's share capital at the time of incorporation. They deposited the value of these shares which tantamount to (78,000,000) Seventy-eight million Saudi Riyals in Bank Riyadh in exchange for their shares. Additionally, (5,200,000) five million and two hundred thousand shares of the Initial Public Offering (IPO) representing 40% of the Company's capital have been offered to the public at a price of ten (10) Saudi Riyals per share during the period from 10/14/1430H (Corresponding to 03/10/2009G) to 20/10/1430 H (Corresponding to 09/10/2009G). The Company's shares were listed and traded on the Saudi Stock Market as of 01/03/1431H (Corresponding to 15/02/2010G).

The Company emphasizes that it has not granted any privileges or preferential rights to the Founding Shareholders or other shareholders. Since its inception and until the date of this prospectus, the Company has not increased its capital through Rights Issue.

The most important developments that took place following the announcement of the incorporation of the Company on 01/10/1431H (Corresponding to 27/12/2009G) are as follows:

1. Listing the Company on the Saudi Stock Exchange (Tadawul) as of 01/03/1431H (Corresponding to 15/02/2010G).
2. The issuance of a license to practice insurance business by the Saudi Arabian Monetary Agency on 15/06/1431H (Corresponding to 29/05/2010G) and its renewal at a later date until 06/14/1437H (Corresponding to 23/03/2016G).
3. Approval of the Company's Ordinary General Assembly on 24/06/1431H (Corresponding to 06/07/2010G) on assessment of the insurance portfolio of Saudi Pearl Insurance Company (Bahraini Joint stock company) and taking a decision to buy that portfolio for Buruj Cooperative Insurance Company as of 04/01/1430H (Corresponding to 01/01/2009G) without the value of the goodwill.
4. The Company has obtained the prequalification of the Cooperative Health Insurance Council on 26/11/1432H (Corresponding to 24/10/2011G) and it was renewed on 27/11/1434H (03/10/2013G) is now valid until 25/11/1435H (Corresponding to 20/09/2014G).
5. Obtaining the approval of the Saudi Arabian Monetary Agency on 08/02/1432H (Corresponding to 01/03/2012G) to transfer the insurance portfolio of the Saudi Pearl Insurance Company for Guarantee (S.P.I.C) and reissue the financial statements of the Company retroactively as of 01/04/1430H (01/01/2009G).
6. The recommendation of the Board of Directors on 28/11/1433H (Corresponding to 14/10/2012G) to increase the Company's capital through rights issue valued at (SAR 120,000,000) one hundred and twenty million Saudi Riyals.
7. The approval of the Saudi Arabian Monetary Agency on 10/01/1434H (Corresponding to 24/11/2012G) to reduce the number of members of the Board of Directors from (10) to (7) members, amend Article (13) thirteen of the By-Laws and approve that by the Company's Extraordinary General Assembly on 24/02/1434H (07/01/2013G).
8. The Company obtained the final approval of the Saudi Arabian Monetary Agency to increase the capital on 24/09/1435H (Corresponding to 21/07/2014G).

4 - 4 Vision and Mission Statement

4 - 4 - 1 Vision

To be the optimum provider for the insurance solutions. Our level of success will be measured by our customers' selection and their trust in our ability to excel in meeting their expectations in terms of provision of services, expertise, prices and values.

4 - 4 - 2 Mission

Buruj is dedicated to satisfying the security needs of individuals and businesses in order to help them manage their everyday risks, recover from unpredicted events, and reach their aspirations.

We will achieve this by establishing long term partnerships that enable us to understand, anticipate, and satisfy their needs, and by providing quality insurance solutions and superior levels of service that meet or exceed their expectations.

4 - 5 Strategy and Competitive Advantages

4 - 5 - 1 The Company's strategy

The Company aims to set the example in the Kingdom in the area of the main insurance activities it deals with. It seeks to achieve leadership in the market through its quality products and services. Therefore, the Company has built a practical model- based strategy and a set of priorities.

The Company's business model aims at strengthening, enhancing and developing the basic potentials for growth, retention of customers and acquiring new customers while focusing the Company's developmental efforts on the most profitable sectors to strengthen its position in the Saudi market and enhance the financial aspects of the Company.

The Company has identified strategies for change and growth which are known in the aggregate as the five driers of growth:

- Product Development: It is a source of diversity which reflects the Company's desire to provide an additional value each time it offers a new product in any of its markets.
- Main Activity Experience: The Company aims at providing the best services at the best prices.
- Distribution Management: Through enhancing the sales performance by mitigating the administrative burden laid on their distributors.
- Quality of Service: Through the keenness to provide good and distinguished services to customers.
- Productivity: The Company seeks to reduce the operating costs and improve the quality each year through careful and accurate policies, speed of delivery, rapid settlement of customers' claims and the continuous review of insurance policies and programs to ensure the optimal protection for customers.

To excel in operational performance in each of the main business areas, the Company has pursued a program for continuous improvement of the operating procedures that is always based on listening to the voice of the customer. The Company also encourages the local business sections to find opportunities for cooperation among themselves in the field of capabilities and materials.

Accordingly, the Company has its own marketing strategy that is focused primarily on its shareholders and customer base as well as the efforts exerted by the Company's sales and marketing team for spreading in the market and attracting more business deals.

The Company's seeks in its strategy to comply with the provisions of Islamic law in its businesses, aspects of activities by seeking the help of specialized experts who provide advice to the Company with regard to the extent of its commitment to the legitimate approach in its transactions. The decisions of the experts will be binding on the matters issued thereon.

4 - 5 - 2 Competitive advantages

The Company possesses strong privileges that can be translated into competitive advantages to become the main underpinning compared to its competitors in the insurance sector. These advantages include:

- **Qualified, long-experienced administrative staff in the insurance market in Saudi Arabia**

The Company has a management staff and a team of specialized professionals with diverse expertise in all aspects of insurance, and the rapid adaptation and interaction to the variables and requirements of the insurance market in Saudi Arabia these experiences provide.

- **Reinsurance Agreements with the major internationally reinsurance companies.**

The Company's enjoys distinguished relationships with many global reinsurance companies, including, but not limited to, Swiss Re reinsurance Company, Hannover Re, Munich Re and others, in addition to the long and distinguished relationships with reinsurance advisors and brokers, including, for example, Marsh Inc. severe RI. This qualifies the Company to get coverage for its operations in preferential terms.

- **Strong regional relationships with insurance companies that are subsidiaries to the Gulf Insurance (the largest founder of the Company).**

Main founder Shareholder activities «Gulf Insurance Group» exist in many Arab countries, and this extension gives the Company the potential and flexibility needed to serve its senior clients who own projects, investments and assets in these countries by covering their businesses through group companies operating in these countries. This provides an additional attracting factor to customers.

- **A diverse field of innovative insurance products and services**

The Company develops a variety of products and insurance services that meet the special needs of certain segments of customers in the market. This helps in strengthening the Company's position and gaining a good customer base.

- **Advanced Information Technology Systems**

The Company has a good and well known insurance software, in addition to an infrastructure and excellent information technology cadre, which render it capable of developing solutions quickly and effectively to meet the needs of its customers.

4 - 6 Major Company shareholders

Table 4.1: A list of shareholders who own 5% or more prior to offering

Company	Nationality	* Percentage of Ownership	Number of shares	Value (SAR)
Gulf Insurance Company	Kuwait	22.5%	2,925,000	29,250,000
Yusuf Mohammed Abdulwahab Naghi Co. Ltd.	KSA	5%	650,000	6,500,000
Gulf Medical Co, Ltd.	KSA	5%	650,000	6,500,000
Al-Batterjee Industrial Group Co., Ltd.	KSA	5%	650,000	6,500,000
Total		37.5%	48,875,000	48,750,000

Source: Company

* Direct ownership only. There is no indirect ownership to any of them.

Gulf Insurance Company K.S.C. (GIC)

Gulf Insurance Company was established in 1962G. It is a joint stock company listed on the Kuwait Stock Exchange and is considered a leading company in Kuwait in insurance industry.

With operations in life, property and general accidents segments, GIC is currently the largest insurance Company in Kuwait in terms of written and retained premiums. Its insurance activities are further supported by World-Class reinsurance companies. GIC, for the second consecutive year, has maintained its Standard & Poor's (S&P) Financial Strength Ratings and Issuer Credit Rating to 'A-' with a stable outlook. A.M. Best Europe - Rating Services Limited has also affirmed its financial strength rating of A- (Excellent). The rating reflects its excellent regional business profile and a high level of overall profitability.

Gulf Insurance Company (GIC) offers a range of integrated insurance solutions for a variety of risks related to Motor, Marine & Aviation, Property & Casualty, and Life & Health Insurance for companies and individuals in addition to a package of Takaful insurance products ((Islamic insurance based on Shariah principles). All products and services are designed and developed in collaboration with leading international insurance and reinsurance companies to meet individuals' and corporate customers' insurance requirements.

Gulf Insurance Company has become one of the largest insurance networks in the Middle East and North Africa through its subsidiaries in Saudi Arabia, Jordan, Lebanon, Syria, Egypt, Iraq, Bahrain, Emirates and Kuwait.

The total premiums for 2013G amounted to 157 million Kuwaiti dinars (equivalent to 2,086 million Saudi Riyals). Net shareholders profit of the parent Company for the year amounted to 10.2 million Kuwaiti dinars (equivalent to 135,5 million Saudi Riyals), and total shareholders' equity as of 31/12/2013G amounted to 78.5 million Kuwaiti dinars (equivalent to 1,042 billion Saudi Riyals).

Noteworthy, the Company holds an international assessment by Standard & Poor's (S & P) grade BBB + (good) positive outlook. It also worked to expand the scope of its activities and diversify its insurance portfolio through its regional expansion strategy and exercising its activity in many Arab countries through its subsidiaries. The following table shows the Gulf Insurance Company subsidiaries with the percentages of ownership in each Company:

Table 4.2: Gulf Insurance Company (GIC) Subsidiaries

Company	Nationality	Percentage of Ownership
Saudi Pearl Insurance Company in Bahrain	Bahrain	100%
Arab Misr Insurance Group, Egypt	Egypt	94.85%
Fajr Al-Gulf Insurance & Reinsurance Company, Lebanon	Lebanon	88%

Company	Nationality	Percentage of Ownership
Syrian Kuwaiti Insurance Company, Syria.	Syria	54.29%
Gulf Life Insurance Company Kuwait	Kuwait	99,8%
Bahrain Kuwait Insurance Company, Bahrain.	Bahrain	56.12%
Arab Orient Insurance Company- Jordan	Jordan	88,907%
Egyptian Life Takaful Insurance Company - Egypt	Egypt	60,619%
Dar Al Salam Insurance Company	Iraq	51%

Source: Company

Major shareholders of Gulf Insurance Company (holding 5% of the Company's share capital or more)

Table 4.3: Senior GIC Shareholders

Shareholders	share ratio
Kuwait Projects Holding Co.(KIPCO) (through KAMCO - Portfolio account)	44.04%
Fairfax Financial Holdings Limited (through KAMCO - Portfolio account)	41.42%
A number of individuals, companies and treasury shares (each one of whom solely owns less than 5%)	14.54%
total	100%

Source: Company

Yusuf Mohammed Abdel Wahab Naghi Co. Ltd.

Yusuf Mohammed Abdel Wahab Naghy Company was founded in 1423H, according to Commercial Registration No. 4030141450. Its paid-up capital is (SAR 1,000,000) million Saudi Riyals. The Company conducts trade in food, tools, electrical appliances, communication devices, computers, home utensils and fragrance. The Company has exclusive commercial agencies in the field of import and sale of cars and electronic devices for global brands.

Table 4-4: Ownership structure of Yusuf Mohammed Abdel Wahab Naghy Company

Shareholders	Share ratio
Huda Bint Mohammad Omar JAMJOOM	20%
Mohammed Yusuf Mohammed Naghi	20%
Yasser Yusuf Mohammed Naghi	20%
Saleh Mohammed Yusuf Naghi	20%
Ammar Mohammed Yusuf Naghi	20%
Total	100%

Source: Company

Gulf Medical Co., Ltd.

Gulf Medical Company Inc. was founded in 1405H under Commercial Registration number 4030045393. Its paid up capital is (SAR 3,000,000) three million Saudi Riyals. The Company performs wholesale trade in furniture for medical equipment and their maintenance, and furniture for hospitals, clinics, and medical equipment. It imports and de-processes ambulances.

Table 4.5: Ownership structure for Gulf Medical Co.

Shareholders	share ratio
Mohammed Yusuf Mohammed Naghi	25%
Yasser Yusuf Mohammed Naghi	25%
Saleh Mohammed Yusuf Naghi	25%
Ammar Mohammed Yusuf Naghi	25%
• Total	100%

Source: Company

Battarjee Industrial Group Co., Ltd.

BMC Industrial Group Company was founded in 1395H under Commercial Registration number 4030131423. Its capital is (SAR 24,000,000) Twenty-four million Saudi Riyals. The Company conducts wholesale and retail trade in multiple commodities. The Company also operates in the real estate development business. It is specialized also in multiple industries such as medicine, food, children's cosmetics, oil refining, cement, steel, juices and medical services.

Table 4.6: Ownership structure for BMC industrial group Company

Shareholders	share ratio
Mohammed Ibrahim Hasan Batterjee	70%
Mazen Mohammed Ibrahim Batterjee	10%
Mahmoud Mohammed Ibrahim Batterjee	10%
Ibrahim Mohammed Ibrahim Batterjee	10%
Total	100%

Source: Company

4 - 7 Associate/Affiliated Company

Gulf Warranties Insurance Services Company «under establishment»

The Company is in the process of finalizing the establishment of a limited liability company under the name of «Gulf Warranties Insurance Services» (a limited liability company) to perform an activity of insurance claims settlement in partnership with Gulf Warranties Company (Bahrain).

This partnership was announced on Tadawul website pursuant to the rules of registration and incorporation. The Company also announced on Tadawul website that the «Gulf Warranties Insurance Services» (limited liability company) has obtained the approval of the Saudi Arabian Foreign Investment Authority on 10/10/1435H (Corresponding to 06/08/2014G). On 10/09/1435H (05/08/2014G), the Saudi Arabian General Investment Authority issued a service investment license to the Gulf Guarantees Insurance Services number 1026351045148 which is valid until 10/08/1436H (07/24/2015G). It is anticipated that «Gulf Guarantees for Insurance Services Company» will complete incorporation procedures by the end of the first quarter of 2015G, and start its operations at the beginning of the third quarter of the same year.

After reviewing the Board of Director's decision No. (50/T/2014G) dated 08/17/1435H (Corresponding to 15/06/2014G), the partners specified the capital of Gulf Warranties Insurance Services Company as (SAR 3,000,000) three million Saudi Riyals divided into (30,000) thirty thousand cash share of (SAR 100) one hundred SAR for each share provided that share distribution will be as follows:

Table 4.7: Distribution of ownership shares of Gulf Warranties Insurance Services Company

Partners	Share value (in SAR)	Number of shares	Total (in SAR)	Percentage
Buruj Cooperative Insurance Company	100	12,000	1,200,000	40%
Gulf Warranties Company	100	18,000	1,800,000	60%
Total	100	3,000	3,000,000	100%

Source: Company

The founding «Gulf Warranties Insurance Services» (limited liability company) was announced at Tadawul website on 15/6/2014G and that the Company is still under establishment. The Company is currently in processing the regulatory procedures with the competent authorities.

4 - 8 Services and Products

This section is a synopsis of the types of insurance products available to the Company. It does not include all terms and conditions of the insurance relevant policies. It may also include items that are not fully compliant with the terms of these policies. Consequently, the texts of policies will still be needed. However, it has no contractual or legal value. In case of any differences or conflicts among the content of this synopsis and the texts of the referenced policies, the texts of these policies shall prevail.

4 - 8 - 1 Vehicle Insurance

a) Comprehensive Vehicle Insurance: This insurance covers any vehicle – A vehicle is each means of transportation made to move on wheels or track, driven or towed in a mechanized or animal power (except trains) against the following risks:

1. Loss or damage to the insured vehicle, including already existing spare parts as a result of one of the following covered accidents:

- Collision or turn over.
- Fire, external explosion, self-ignition or lightning.
- Robbery or theft (except the theft perpetrated by the driver, lessee or breach of trust).
- Intentional harm perpetrated by of a third party.

Limits of Coverage: The insured sum for the vehicle which should be equivalent to its market value.

2. Liability towards others. Cash compensation for others in the limits of the terms and conditions contained in the insurance policy for a covered damage, whether caused by the use of the insured vehicle or parking it within the territory of the Kingdom of Saudi Arabia and the amounts that the policy holder or the driver must pay for the following:

- Physical damage to a third party within or outside the vehicle (except for the policy holder in person or the driver).
- Physical damage inflicted for others inside or outside the vehicle (except for the policy holder in person or the driver).
- Physical damages outside the vehicle.

Limits of Coverage: The Company's maximum liability in a single incident and during the period of validity of the insurance policy for the physical damage (including blood money and estimated amounts for injuries and medical expenses) and physical damages together will not exceed a total amount of (10,000,000) ten million Saudi Riyals.

1. Guard and Transportation Expenses: If an insured vehicle is damaged as a result of loss or damage included in the coverage, the Company, while observing the limits of the particular liability stated in the insurance policy, shall bear the reasonable costs of guarding and transporting the vehicle to the nearest place for repair, and the expenses of the vehicle delivery within the country where the loss or damage occurred.
2. Emergency Medical Treatment Expenses: If any insured vehicle driver is subjected to an accident that is not excluded, then the Company, while observing the limits of the particular liability stated in the insurance policy, shall bear the emergency medical expenses incurred by this driver as a result of this accident provided that these expenses are not covered under any other insurance policy.
3. Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Personal accidents for driver and passengers.
- Drivers under the age of 21 years.
- Expanding the geographical scope, which only covers the loss or damage to the insured vehicle that occurs outside the Kingdom of Saudi Arabia and within the areas specified in the policy or any endorsement made to it.
- Natural factors such as hurricanes, earthquakes, floods or volcanoes.

The Company has obtained final approval on this product from SAMA per letter No. 30 475 dated 06/07/1433H (Corresponding to 28/04/2012G).

b) «AutoPlus» Insurance (dependent upon the text of the vehicle comprehensive insurance policy). This type of insurance covers the following risks:

1. Loss or damage to the insured vehicle, including already existing spare parts as a result of a vehicle collision or turn over.
2. Guarding and transportation expenses.
3. Emergency medical treatment expenses

Limits of Coverage: (SAR 10,000) ten thousand Saudi Riyals for each accident and in compensation for all accidents during the insurance period.. This amount includes the compensation for guarding and transportation expenses and emergency medical treatment expenses.

Liability for Others: Non-cash compensation and within the terms and conditions contained in the insurance policy for a covered damage, whether caused by the use of the insured vehicle or parking it within the territory of the Kingdom of Saudi Arabia, and for the deductible amount that the policy holder will need to pay for:

- Physical damage for a third party within or outside the vehicle (with the exception of the policy holder in person or the driver).
- Physical damage outside the vehicle.

Limits of Coverage: The Company's maximum liability in a single incident and during the period of validity of the insurance policy for the physical damage (including Blood Money and estimated amounts for injuries and medical expenses) and physical damages together will not exceed a total amount of (10,000,000) ten million Saudi Riyals.

c) Third party insurance (under « The Unified Mandatory Motor Insurance Policy »): to compensate others in cash within the limits of the terms and conditions contained in the insurance policy for a covered damage, whether caused by the use of the insured vehicle or parking it within the territory of the Kingdom of Saudi Arabia and the amounts that the policy holder or the driver must pay for the following:

- Physical damage for others party within or outside the vehicle (with the exception of the policy holder or the driver).
- Physical damage outside the vehicle.

Limits of Coverage: The Company's maximum liability in a single incident and during the period of validity of the insurance policy for the physical damage (including Blood Money and estimated amounts for injuries and medical expenses) and physical damages together will not exceed a total amount of (10,000,000) ten million Saudi Riyals.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Personal accidents for driver and passengers.
- Drivers under the age of 21 years.

The Company has obtained final approval of this product by SAMA per the number (30 475) dated 07/06/1433H (Corresponding to 28/04/2012G).

d) Motor Vehicle Insurance Policy - executive guarantee - This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission, torque converter, differential, front and rear wheel drive, driveline, cooling system, brakes , electricity system, operating materials, all-packaged items, steering wheel system (including PAS). The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

e) Motor Vehicle Insurance Policy - Golden guarantee - This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission, continuously variable transmission (CTX), torque converter, differential, front and rear wheel drive, driveline, wheel bearing, tools, Turbo charger (when installed in the factory), cooling and air conditioning system, brakes , electricity system, operating materials, all-packaged items, Wheel steering system (including PAS), electronic control unit for the fuel engine system (diesel or gas), front and wheel suspension, anti-lock brake system, operating materials (such as oil, oil filter, anti-freeze liquid only where exchange is necessary as a direct result for the malfunction of the covered item). The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

f) Motor Vehicle Insurance Policy - Silver guarantee - This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission, torque converter, differential shaft, front and rear wheel drive, driveline, cooling system, fuel system, brakes , electricity system, operating materials, all-packaged items, wheel steering system (including PAS), engine electronic control unit, operating materials (such as oil, oil filter, anti-freeze liquid only where exchange is necessary as a direct result for the malfunction of the covered item).

The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

g) Motor Vehicle Insurance Policy - Bronze guarantee. This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission, torque converter and the differential shaft.

The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 21/11/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10/2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

h) Motor Vehicle Insurance Policy – Power train guarantee. This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission to include the continuously variable transmission (CVT). The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder

i) Insurance Policy – Guarantee for a new vehicle. This type of insurance covers the following risks: This policy covers the following parts of the car: engine, manual and automatic transmission, clutch, circulation (rotation)?? system, cooling system, fuel system, rear and front suspension, steering wheel system, brake system, including anti-lock braking system, operating materials, torque converter, electrical system, air conditioning, internal and external car hull and operational materials.

The scope of the this coverage is limited in the Kingdom of Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain and Qatar only.

Limits of Coverage: The maximum claim limit must not exceed the maximum limit stipulated in the policy and agreed upon the between the Company and the policy holder.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10/2014G) to 05/09/1436H (Corresponding to 27/02/2015G).

Feasibility of Vehicle Insurance: This insurance helps the policy holder to bear the burden of repairing his vehicle or replacing it as well as the liabilities for others which often exceed the financial capabilities subjecting him to prosecution and imprisonment. It also helps others to get their due compensation without travail, waiting or having to resort to filing lawsuits that may take a long period of time.

4 - 8 - 2 Marine (Sea) Freight Cargo Insurance

This insurance covers all types of goods, when shipped or transported within the territory of the Kingdom of Saudi Arabia, imported from abroad or exported abroad, by sea, air or land if a loss or damage inflicted the insured shipment or during the loading or unloading operations. The insurance also extends to the cover losses and damages that may occur while the goods are in the sea, air or land ports for a period to be agreed upon and defined in the insurance policy.

Types of coverage: a number of basic and additional coverage is available which are determined by the type of goods and the desire of the policy holder. These coverage ranges from comprehensive insurance, which covers total or partial damage or loss including theft by breakage or ripping, partial insurance that covers the loss or total damage of the shipped goods as a result of an accident involving the means of shipping during the shipment (trip).

Types of policies:

- Single-time shipment policy.
- Open coverage policy for one year for the sea shipments provided that each shipment is disclosed.
- Open coverage policy for one year for land shipments within or outside the Kingdom provided that each shipment is disclosed.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- War and strikes.
- Extending the coverage period of the goods at the seaport or air campus.
- Collision and breakage.
- Additional fees for containers.
- Reassembling and packaging/packing.

The Company has obtained final approval from the Saudi Arabian Monetary Agency on all types of marine shipping policies per letter No. (2384) dated 24/12/1431H (11/30/2010G).

Feasibility of this insurance: Goods or commodities are often exposed to the loss or damage during shipment which may affect the proper functioning of the owners' businesses such as traders and industrialists, contractors and the like. It may also hinder or delay the implementation of their obligations or the loss of a large portion of their customers or exposure them to an outage costs (delay penalties) due their inability to meet their demands if it had not been for the compensation awarded under this insurance.

4 - 8 - 3 Property Insurance

a) Property Insurance (against fire or lightning): This insurance covers loss or damage to property insured as a result of specific risks such as fire or lightning) through the policy holder's exercising of his commercial activity at any time during the period of insurance.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Burglary which involves any entry or exit by force, and by breaking or ripping, to the insured places and stealing them.
- Exploding the water pipes and flooding of water tanks.
- Earthquakes.
- Hails, storms, winds, whirlwinds, floods and rainwater.
- Collision of insured buildings with cars, livestock or horses.
- Malicious (Veracious) damage.
- Strike and riots.
- The fall of aircrafts or of objects out of them.
- Loss of profit arising from the interruption of the insured business as a result of the occurrence of a risk insured under the policy.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This helps the policy holder to bear the financial consequences of the fire and the bolts and other encompassing dangers that can be added, which may inflict his own buildings and facilities and destroy them completely or partially and thereby exposing his interests to interruption, delay or lead to his bankruptcy.

b) All –Risks Property Insurance: This insurance covers the loss, destruction or damage inflicting the insured physical property that may happen in an emergency of sudden manner, and is specifically not excluded in the insurance policy in a way that requires repair or replacement. Coverage includes the following losses and damages:

- Automated, electrical, equipment, machinery or appliance malfunction.
- Property damage due to a change in temperature or humidity, failure or inadequacy of the performance of the air-conditioning, cooling or heating system.
- Earth moving or sliding, corrosion, cracking or stabilizing if caused by or resulting from:
  - Fire or lightning.
  - The blast that means exploding or disrupting the turbines, compressors, converters, modifiers, conversion devices, engine cylinders, hydraulic balance wheels, or any other moving parts that are subject to centrifugal force, boilers, providers, receptacles, machines or other devices that use pressure.
  - The fall of aircrafts or objects out of them.
  - Collision with vehicles, water boats, trains or moving locomotives.
  - Earthquakes.
  - Riot or malicious acts.
  - Strikers and workers who are suspended from work or people who participate in the labor calking (unrests).
  - Storms, whirlwinds or floods.
  - Exploding or flooding of water pipes, appliances, tools or pipes.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Loss of profit arising from the interruption of the business activity of the policy holder.
- Costs of rubble removal.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 4/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This helps the policy holder to bear the financial consequences of the fire and bolt and other encompassing dangers that can be added, which may inflict his own buildings and facilities and destroy them completely or partially and thereby exposing his interests to interruption, delay or lead to his bankruptcy.

c) Emergency Damage Insurance. This insurance covers the loss, destruction or damage to the insured physical property that may happen in a sudden or contingent manner, and is specifically not excluded in the insurance policy and in a form that requires repair or replacement. Coverage includes the following losses and damages:

- Fire or lightning bolts.
- The blast that means exploding or disrupting the turbines, compressors, converters, modifiers, or conversion devices, engine cylinders, hydraulic balance wheels, any other moving parts that are subject to centrifugal force, boilers, providers, or receptacles, machines or other devices that use pressure.
- The fall of aircrafts or objects out of them.
- Collision with vehicles, water boats, trains or moving locomotives.
- Earthquakes.
- Riot or malicious acts.
- Strikers and workers who are suspended from work or people who participate in the labor calking (unrests).
- Storms, whirlwinds or floods.
- Exploding or flooding of water pipes, appliances, tools or pipes.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Loss of profit arising from the interruption of the business activity of the helps the policy holder.
- Costs of rubble removal.

The Company has obtained a temporary approval on this product from SAMA per letter number (351000143200) dated 11/21/1435H (15/09/2014G) for a period of 6 months, ranging from 10/12/1435H (Corresponding to 04/10 / 2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This helps the policy holder to bear the financial consequences of the fire and bolt and other encompassing dangers that can be added, which may inflict his own buildings and facilities and destroy them completely or partially and thereby exposing his interests to interruption, delay or lead to his bankruptcy.

4 - 8 - 4 Engineering Insurance

a. All -danger Contractor Insurance:, This insurance covers the construction and civil works of all kinds, such as buildings, roads, bridges and other similar acts, including storage in the event of a sudden and unforeseen physical loss or damage caused by an insured danger that necessitate a need for repair, replacement or compensation.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Maintenance period that follows the contracting works.
- The cost of waste removal.
- Liability for others and towards the property of the project owner.
- Loss or damage inflicted to the machinery and construction equipment while located inside the insured sites.
- Insurance of insured objects of materials, devices, parts, or otherwise during their shipment to the site.

Insurance Expiration: This insurance expires either the on date mentioned on the policy or upon the final delivery date of the project, whichever comes first. It can also be extended in the event of its expiry prior to the final delivery date, at the request of the policy holder and with the approval of the Company.

The Company has obtained final approval on this product from SAMA per the letter No. (912) dated 04/10/1433H (Corresponding to 03/03/2012G).

Feasibility of this insurance: This insurance helps the Contractor in bearing negative physical consequences incurred as a result of the loss or damage to the construction work being carried out or liability for others against physical or material damage as this insurance gives him the appropriate compensation for those losses, damages or liabilities so that he can meet them and thus pursue his work normally.

b. Erection All Risks (EAR) Insurance Policy: This insurance covers the installation of factories, plants, machinery and other similar business works to include storage in the event of a sudden and unforeseen physical loss or damage caused by an insured danger that necessitate a need for repair, replacement or compensation .

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Maintenance period that follows the contracting works.
- The cost of waste removal.
- Liability for others and towards the property to the project owner.
- Loss or damage inflicted to the machinery and construction equipment while being present inside insured the sites.
- Insurance of insured objects of materials or devices or parts or otherwise during their shipment to the site.

Insurance Expiration: This insurance expires on either the date mentioned on the policy or upon the final delivery date of the project, whichever comes first. It can also be extended in the event of its expiry prior is before the final delivery date, at the request of the policy holder and with the approval of the Company.

The Company has obtained final approval on this product from SAMA per the letter No. (912) dated 04/10/1433H (03/03/2012G).

Feasibility of this insurance: This insurance helps the Contractor in bearing negative physical consequences incurred as a result of the loss or damage to the construction work being carried out or liability for others for physical or material damage as this insurance gives him the appropriate compensation for those losses, damages or liabilities so that he can meet them and thus pursue his work normally.

c. Contractors' Equipment and Machinery Insurance Policy: This insurance covers the contractor's equipment and machinery in the event of a sudden and unforeseen physical loss or damage caused by an insured danger that necessitates a need for repair or exchange. Such damage occurs while these machineries or equipment are located within the insured sites and within the geographical boundaries covered by the insurance. The insurance is valid during the operation of machinery, equipment, interruption, disassembly for cleaning purposes, re-overhauling or during their transport within the insured locations or during their reinstallation.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Costs of overtime and work performed during night and during public holidays.
- Air freight for the equipment or part of it for repair.
- Damages and losses incurred to equipment and machineries during their land transportation within the Kingdom.

The Company has obtained final approval on this product from SAMA per the letter No. (912) dated 04/10/1433 H (03/03/2012G).

Feasibility of this insurance: This insurance helps the policy holder to bear the burden of repair or exchange of equipment and machinery as a result of damages or losses that affect them and thereby protect him from incurring large amounts of money that may adversely affect the continuation of his business and sometimes are beyond his financial capabilities.

d. Insurance of Machineries: This insurance covers the insured machinery, while located in the places specified in the policy if affected by any sudden and unforeseen physical loss or damage caused by a deficiency in casting pipe modeling, installation, bad labor, skill shortages, negligence, lack of water in reservoirs, physical explosion or rupture caused by a centrifuge or a storm or any reason that is not clearly excluded in the policy and requires repair or exchange. The insurance is valid during the operation of machinery, equipment, interruption, disassembly for cleaning purposes, re-overhauling or during their transport within the insured locations or during their reinstallation.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Costs of overtime and work performed during night and during public holidays.
- Air freight.
- Damages and losses incurred to equipment and machineries during their ground transportation within the Kingdom.
- Non- electric wires and cables.
- Surrounding properties and liability for others.

The Company has obtained final approval on this product from SAMA per letter No. (912) dated 04/10/1433H (Corresponding to 03/03/2012G).

Feasibility of this insurance: This insurance helps the policy holder to bear the burden of repair or replacement of equipment and machinery as a result of damages or losses that affect them and thereby protect him from incurring large amounts of money that may adversely affect the continuation of his business and sometimes are beyond his physical capabilities.

e. Electronic devices Insurance: This insurance covers the following:

- Physical damage

Any insured device, if affected by a sudden and unforeseen physical loss or damage that necessitates a need for repair exchange.

- External Information Media

External insured information media, including information stored in them that can be processed directly in the electronic information processing systems, if affected by any physical damage that is compensable under the insurance policy.

- Increase in the operating cost.

If the physical compensable damage resulted in the total or partial interruption of the operation of the insured electronic information processing devices, the Company will then indemnify the policy holder for any additional burdens required by the use of alternative electronic information processing devices.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Costs of overtime and work performed during night and during public holidays.
- Air freight.
- Theft of mobile and portable devices (located) outside the site.

The Company has obtained final approval on this product from SAMA per letter No. (912) dated 04/10/1433H (Corresponding to 03/03/2012G).

Feasibility of this insurance: This insurance helps the policy holder to bear the burden of restoration, repair, exchange the damaged electronic devices and information media as well as the expenses of using alternative devices until his devices are repaired and restored without any delay that may result in financial deficiency that he may suffer from if it had not been for the this insurance.

f. Deterioration of Stock in Cold Storage Insurance Policy: This covers the value of the loss or damage to insured stock as a result of damage caused by any unforeseen and sudden loss or damage and covered by the insurance that may be inflicted by the machines listed in the policy and insured under the valid machinery insurance policy.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Damage caused by the interruption of the public or non-public power supply.

The Company has obtained final approval on this product from SAMA per letter No. (912) dated 04/10/1433H (Corresponding to 03/03/2012G).

Feasibility of this insurance: This insurance helps owners of goods stored under certain temperatures to make up for any damage caused by a malfunction in the rooms and refrigerating machines that may lead to changing the temperatures necessary to preserve the stock. Thus, the owner will have to incur a significant loss represented in the cost of the deterioration of the cooled goods on one hand, and his inability to buy other goods, or to deliver the sold goods on the specified times on the other hand, if it had not been for this insurance.

g. Profit loss insurance resulting from the malfunction of machines: This insurance covers the value of the loss suffered by the policy holder in the event of the interruption or impediment his activity at the sites covered by insurance as a result of the malfunctions that affect the insured machines.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Loss of overall profits resulting from the continued disruption or interruption due to pollution or damage of raw materials, intermediate or ready products or operating modes.
- Increased costs of supplying electricity, water, gas, steam or disruption of public service to cover electricity, water, gas or steam.

The Company has obtained final approval on this product from SAMA per letter No. (912) dated 04/10/1433H (Corresponding to 03/03/2012G).

Feasibility of this insurance: This insurance compensates the policy holder for the lost profits, which he was expected to accrue had he continued to practice his activity in a normal manner, and if it had not been for the above mentioned malfunctions and risks.

h. Boiler and Pressure Vessel Insurance: This insurance covers boilers and pressure vessels if exposed to an external or internal explosion or collapse. The coverage includes the following:

- Damage (other than fire) that may inflict any insured boiler or pressure bowl.
- Legal liability of the policy holder for the damage that inflict property not owned by him.
- Legal liability of the policy holder for lethal or non-lethal physical injuries that may inflict the non-staff, workers or his family members.

The Company has obtained final approval on this product from SAMA per letter No. (912) dated 04/10/1433 H (03/03/2012G).

Feasibility of this insurance: This insurance helps factory or plant owners in bearing the burden of reequipping their factories or stations when exposed to an accident that leads to loss or damage of pressure boilers or vessels and to restore them without any delay that may result from their inability to bear these burdens if it had not been for the insurance.

4 - 8 - 5 General Accident Insurance

a) Public Liability Insurance: This insurance covers the legal liability of the policy holder for compensation against physical and material damages arising from exercising his insured commercial activity in the specified places. The compensation includes the following:

- Death or physical injury resulting from an accident, disease or illness that may affect anyone except the person who works for the policy holder under a contract of employment, training, or for one his family members or his dwellers.
- Loss or damage to property with the exception of the property of the policy holder or that he has as a trust, at his custody or under his control or that part of any property that he or his staff is or was working on.

Coverage can include a certain contract or apply to all commercial activities of the policy holder as requested by the policy holder and the approved by the Company.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Liability originated from the use of cranes, winches, elevators and escalators.
- Product liability.

The Company has obtained a temporary approval on this product by SAMA per letter number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 12/10/1435H (Corresponding to 04/10 /2014G) to 05/09/1436H (Corresponding to 27/02/2015G).

Feasibility of this insurance: This insurance helps the contractor or businessman (merchant) to bear the financial burden of the liability towards others which results from exercising his activity. It protects him from the risk of work interruption or delay in its accomplishment as a result of his inability to pay the required compensation.

b) Fidelity insurance: This insurance covers any direct loss of funds and/or property as a result of fraud, embezzlement, theft or betrayal perpetrated by a covered employee, alone or in collusion with others, provided that the act:

- Has been committed during the validity period of the insurance.
- Has been committed after the effective date of the insured risk insurance.
- Has been linked to the employee's functional duties that are covered by the insurance.
- Has been committed during the performance of the employee's job in a continuous and uninterrupted manner.
- Has been discovered within a period not to exceed: Either six calendar months after the employee's death, termination, retirement or resignation, or three calendar months after the expiry date of the insurance policy, whichever comes first.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Auditors' fees.
- Redemption costs.

The Company has obtained final approval on this product from SAMA per letter No. (2428) dated 30/12/1431H (Corresponding to 06/12/2010G).

Feasibility of this insurance: This insurance helps the policy holder in redeeming the value of the property that has been embezzled or stolen.

c) Fund Insurance: This insurance includes the following:

- Coverage of movable funds if the insured employee or employees who are tasked to transport and maintain them to robbery or theft during the validity period of the insurance while transporting them between places and within the tracks covered by the insurance.
- Coverage of movable funds stored inside safes or safe deposits (Safety vaults) and specified in the insurance policy.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Physical injuries to money holders.
- Damage that occurs to safes or safe deposits (Safety vaults).

The Company has obtained a temporary approval on this product per SAMA number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014 G) for a period of 6 months, ranging from 12/10/1435H (04/10/2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This insurance helps businessman (merchant), contractor, industrialist or others in the retrieval of the money they have had lost as a result of their employees' exposure to looting during their transfer of funds from the workplace to the banks or other sites and vice versa in order to deposit, withdraw or pay salaries for example, or the safes or safe deposits (Safety vaults) exposure to robbery or lootings.

d) Personal Accident Insurance: This insurance covers compensation for the death of the insured person or persons as a result of a covered accident that occurs during the insurance period, around the clock and that the death occurs within one year from the date of the accident. The compensation will be paid either to the policy holder if he is still alive or to his successors in event of his death.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Permanent and total disability that appears within one year from the date of the accident.
- Permanent and partial disability that appears within one year from the date of the accident.
- Medical expenses.
- Temporary total disability.
- Deportation expenses.

The Company has obtained a temporary approval on this product per SAMA number (351000143200) dated 11/21/1435 H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 12/10/1435 H (04/10/2014G) to 05/09/1436 H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This insurance is necessary for the underprivileged (low-income people) who rely on their income to meet their needs and support their family member dependents. It provides them or their beneficiaries, in the event of being exposed to a grievous accident, an amount of money that helps treat them and fulfill their needs until they restore their activity, or to the their beneficiaries to secure their livelihood for a specified time without having to resort to others to ask for aid.

e) Workers' Compensation Insurance: This insurance covers all sums which the policy holder becomes legally responsible for paying to any employee who works directly for him and within his business activity that is included in the insurance, in the following cases:

- When this employee is exposed to any physical injury or death as a result of an accident arising from or during the performance of his job.
- If the policy holder becomes liable for paying compensation for that injury or death under the law/laws specified in the insurance policy.

Compensation will either be made based on the total cost of injury or death, or on the basis of the amount that exceeds the due compensation from the General Organization for Social Insurance (GOSI).

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- The employer's responsibility (according to Islamic law) for the issues that his staff, employees or his main contractor or subcontractor's employees claim against him.
- Injuries that occur while transporting employees or workers from the places of residence to their work places and vice versa.
- Injuries that occur during lunch time and meals.
- Injuries that occur while working on weekends and during public holidays.
- Costs of comparution (court attendance).
- Injuries that occur while exercising sports and recreational activities organized by the policy holder and under his sponsorship.

The Company has obtained a temporary approval on this product per SAMA number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 12/10/1435 H (04/10/2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

Feasibility of this insurance: This insurance helps the employer to overcome the charges that burden his shoulders such as salaries and medical expenses as a result of injury that may inflict his employees or workers as well as the responsibilities incurred as a result of these injuries.

f) Professional Health Malpractice Liability Insurance: This insurance coverage grants protection against liability resulting from any physical or mental injury, illness or death that may inflict any patient due to negligence, omissions or inadvertent error perpetrated by the practitioner while performing his profession or work within the Kingdom of Saudi Arabia. This insurance can be obtained by individual licensed practitioners who are working on their own or through bodies (groups of practitioners), such as hospitals, laboratories, health care centers, clinics and other bodies.

The Company has obtained a temporary approval on this product per SAMA number (351000143200) dated 11/21/1435H (Corresponding to 15/09/2014G) for a period of 6 months, ranging from 12/10/1435 H (04/10/2014G) to 05/09/1436H (Corresponding to 02/27/2015G).

4 - 8 - 6 Term Life Group Insurance:

This insurance compensates for natural death or as a result of work or non-work related accident that may occur 24/7 that happen to an insured person or persons during the period of insurance, inside or outside the Kingdom of Saudi Arabia, and with the insurance amount specified in the insurance policy.

Additional optional coverage: Insurance coverage can be expanded to include additional risks not covered by the basic coverage such as:

- Death accident with an additional amount to the amount of basic coverage.
- Permanent total disability due to an accident with a percentage of the amount of basic coverage.
- Permanent total disability due to an illness with a percentage of the amount of basic coverage.
- Permanent partial disability due to an accident with a percentage of the amount of basic coverage.
- Permanent partial disability due to illness with a percentage of the amount of basic coverage.
- Temporary total disability due to an accident.
- Temporary total disability due to illness.
- Medical expenses as a result of an accident.
- Relocation expenses as a result of an accident or illness.

The Company has obtained final approval on this product from SAMA per letter No. (1430) and the date of 06/07/1433 H (Corresponding to 05/26/2012G).

Feasibility of this insurance: This insurance is necessary for the underprivileged (low-income people) who rely on their income to meet their needs and support their family member dependents. It provides them or their beneficiaries, in the event of being exposed to a grievous accident, an amount of money that helps treat them and fulfill their needs until they restore their activity, or to the their beneficiaries to secure their livelihood for a specified time without having to resort to others to ask for aid.

4 - 8 - 7 `Health Insurance:

This insurance compensates the policy holder for the actual expenses incurred against non-exempt services, materials and equipment that are prescribed by a licensed physician due to his exposure to a disease or illness, pursuant to the «cooperative health insurance policy» issued by the Cooperative Health Insurance Council.

Additional Optional Coverage: The insurance coverage can be expanded by raising the coverage limits mentioned in the policy table, for benefits such as maximum benefit limit for each person, costs of dental treatment or pregnancy and delivery to larger amounts provided that the Company agreed to do so and against an additional premium to be agreed upon.

Feasibility of this insurance: This guarantee helps the policy holder:

- As the employer in bearing the expenses imposed by the law or the contract of employment towards his staff and employees against accidents or illnesses included by the coverage that they may affect the while working for him and during the validity period of the warranty, or
- As an individual person or head of household in bearing all expenses incurred by illness or accident that are included in the coverage, for him personally or for one of his family members during the validity period of this insurance.

The Company emphasizes that it does not currently have any new products to offer.

4 - 9 Reinsurance

The Company reinsures on part of the risks that is insured under the insurance processes it undertakes so as to minimize its exposure to losses, stabilize its profits, and protect its capital sources in line with Implementing Regulations.

To reduce the reinsurance-focused risks, the Company has developed programs and agreements for reinsurance with many well-known international reinsurance companies, either through direct hiring or contracting through locally licensed reinsurance intermediaries. The Company uses several methods for reinsurance, such as facultative reinsurance, proportional re-insurance, and non proportional re-insurance. The Company resorts in some cases to using co-insurance methodology with some local companies.

The selection criteria for the reinsurance Company include the following:

1. Strength of Financial Position: (enjoys a rating that is equivalent to «BBB» or higher than from Standard & Poor's or an equivalent recognized global rating agencies).
2. Quality of Service.
3. Efficiency in the settlement of claims.
4. Terms of coverage.
5. Prices.

The Company deals with more than 16 reinsurers classified by the international rating agencies. Munich Re's reinsurance participation share of excess of loss medical insurance agreements represent 100%. Swiss Re Company's (Swiss Re) participation share of excess of loss vehicle insurance agreements represent 45%. The following table illustrates the reinsurance companies that the Company deals with within the proportional and non-proportional reinsurance agreements:

Table 4.8: Reinsurers of the Company

Reinsurer name (Classifying Agency)	Country	The donor of Credit rating	Status and credit rating
Swiss Re	Switzerland	Standard & Poor's	AA- Stable
Munich Re	Germany	Standard & Poor's	AA- Stable
Mapfre Re	Spain	AM Best	A Stable
Saudi Re	Saudi Arabia	Standard & Poor's	BBB + stable
ACR	Bahrain	Standard & Poor's	A- stable
R+V	Germany	Standard & Poor's	AA- Stable
Milli Reinsurance	Turkey	AM Best	B + negative
Malaysian Reinsurance	Malaysia	AM Best	A- positive
Kuwait Reinsurance	Kuwait	AM Best	A- stable
Trans Reinsurance, Zurich	Switzerland	Standard & Poor's	A+ stable
GIC of India	United Arab Emirates	AM Best	A- stable
Partner Re	Bermuda	Standard & Poor's	A+ stable
ARIG	Bahrain	AM Best	B ++ positive
IGI	Pakistan	AM Best	A- stable
Axis Re	Ireland	Standard & Poor's	A+ stable
Trust Re	Bahrain	AM Best	A- stable

Source: Company

The Company's reinsurance program aims at increasing the Company's levels of retention gradually while risk potentials, protection against catastrophe losses, adequacy of allocations, protection of shareholders and insurance operations portfolio are being reviewed.

4 - 10 Technical Provisions (Reserves)

The Technical provisions are calculated under the Implementing Regulations of the Cooperative Insurance Companies Control Law, and the circulars issued by the Saudi Arabian Monetary Agency based on the International Accounting Standards and the scientific principles approved by the actuary in this area, including the Company's obligations. Those technical provisions include the following:

- **Unearned Premium Reserves**

The reserve that the Company allocates at the end of the fiscal year to meet the extended responsibilities or claims that may arise from insurances that are valid at the end of the year, and thereby the period of insurance extends to the following year. This reserve is equivalent to that part of the policy premium that corresponds to the period of insurance that is extended to the following year.

- **Outstanding Claims Reserves**

The reserves related to the claims and accidents that the policy holder had notified the Company about, and which are still under review and have not been settled or paid. They are equivalent to the value of the losses claimed by the policy holders based upon the insurance amounts contained in the policy.

- **Reserves for Incurred But not Reported Claims**

Reserve resulting from losses that are supposed to occur but were not reported to the Company before the end of the fiscal year. Delay in reporting may happen especially with the liability insurances and medical insurances. This reserve is estimated based upon the Company's previous experience and data with the help of the actuary.

- **Claim Handling Expense Reserves**

Reserve of expenses that are spent on reviewing and settling claims such as the inspection fees and charges for the claim settlement experts. They represent expenses that are different from the cost of the loss itself. This reserve is estimated based upon the Company's previous experience and data with the help of the actuary.

- Premium Deficiency or Unexpired Risks Reserves The reserve that protects from the results of losses or the deficit resulting from the adequacy of liability test to ensure the adequacy of insurance contract liabilities, after deducting the deferred Initial public offering (IPO) costs, claim administration and handling expenses related to using current estimates for the future cash flows of insurance contracts. This reserve is estimated with the help of the actuary.
- Catastrophe Reserves

An additional reserve allocated by the Company to meet any unforeseen catastrophic incidents involving multiple simultaneous losses that may affect the insurance activities held by the Company. This reserve is estimated with the help of the actuary.

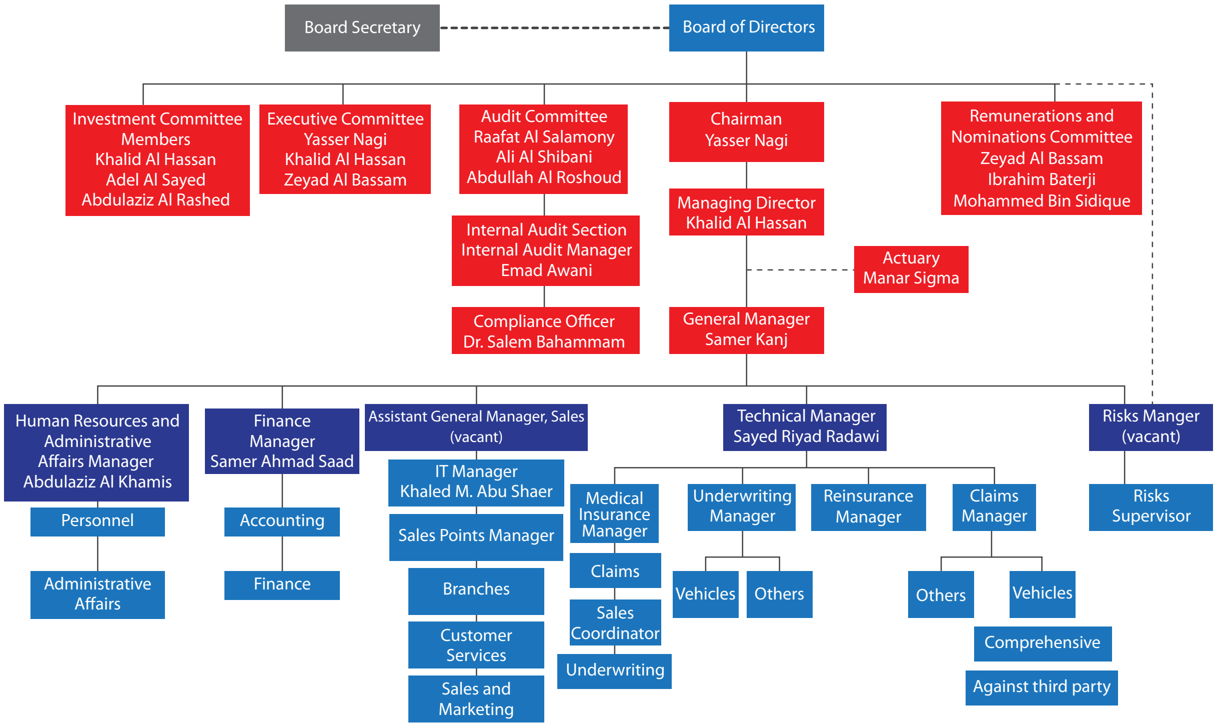
- **General Expenses Reserves**

It is a reserve designed to meet any public expenses incurred by the Company after the end of the fiscal year; however, they are related to the previous year's operational activities. This reserve is estimated based upon the Company's previous experience and data with the help of the actuary.

5. Corporate Organizational Structure and Governance

5 - 1 Organization Structure

Figure 5.1: Corporate Organizational Structure



Source Company

5 - 2 Board Members

The Company is managed by a Board comprised of seven (7) directors appointed by the Ordinary General Assembly. The Board has subcommittees that include the Executive Committee, Audit Committee, Remunerations and Nominations Committee and Investment Committee. These committees assist the Board in effective implementation of its tasks and provide the Company's management with guidance and direction as required.

The main responsibility of the Company's Board is to ensure Company's long term success, including,

- Review and direct the Company strategy, risk management policies, financial planning, annual budgets as well as Business plans recommended by the Company's Management.
- Establish the goals of the Company general performance
- Supervise main capital expenditures
- Review Remunerations Committee resolutions related to the Senior Management and Board members.
- Monitor and manage potential cases of conflict of interests for Senior Management members, Directors and shareholders.
- Ensure adequacy and efficiency of accounting internal regulations, preparation of the Company's financial reports, including support to independent audit and review functions; ensure existence and application of appropriate compliance systems, in particular, risks monitoring systems, financial procedures and compliance with the relevant rules and regulations.
- Monitor the effectiveness of the Company governance policies.
- Supervise the Company disclosure and general communications.

The Board is re-elected for the current term (second) as of 7.1.2013G and until 31.12.2015G, and is comprised of the following members:

Table 5.1: Board members

SN	Name	Position	Nationality	Age	Membership Capacity Executive/ Non-executive	Membership Capacity Independent/ Non-Independent	Date of Membership	Representing	Equities			
									direct	%	Indirect	%
1	Yaser Yousef Mohammed Naghi	Chairman	Saudi	52	Non-executive	Non independent	7.1.2013	CigalahTrading Est.	586000	4.5%	292,500***	2.25%
2	Khaled Saud Abdul Aziz Al Hasan	Member	Kuwaiti	60	Executive	Non-independent	7.1.2013	Gulf Insurance Co.	1000	0.01%	-	-
3	Ibrahim Mohammed Ibrahim Baterjee	Member	Saudi	42	Non-executive	Non-independent	7.1.2013	Al Baterjee Industrial Group	1000	0.01%	65,000****	
4	Raafat Atiya Hasan Al Salamoni	Member	Egyptian	64	Non-Executive	Non-Independent	7.1.2013	Gulf Insurance Co.**	1.000	0.01%	-	-
5	Abdul Aziz Fahad Mohammed Al Rashed	Member	Saudi	65	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
6	Zeyad Bassam Mohammed Al Bassam	Member	Saudi	48	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
7	Adel Ali Hasan Al Sayed	Member	Saudi	52	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
	Total								592000	4.56%	357,500	2.75%

Source: Buruj Insurance Company

* Includes membership guarantee shares

** 1000 shares of Gulf Insurance Co. portfolio were allocated to Board member, Mr. Raafat Atiya Hasan Al Salamoni to guarantee his membership

*** arising from his ownership in Yousef Mohammed Abdulwahab Naghi Co. Ltd and Gulf Medical Company Ltd.

**** Arising from his ownership in Al Baterjee Industrial Group Company

Following is a brief overview of the qualifications and experience of Board members:

1.	Name	Yaser Yousef Mohammed Naghi
	Age	52
	Nationality	Saudi
	Current Post	Board Chairman
	Appointment Date	7.1.2013G
	Qualifications	Holds a bachelor degree in Accounting, College of Economics and Business Administration, King Abdul Aziz University, Jeddah, 1984G
	Professional Experience	• A businessman and partner in many companies operating in import and distribution of medicines, medical equipment, food stuffs and provision of services to various private and government health sectors, such as Ministry of Health and hospitals. • Established Sigala Trading Est. in 1988G (operating in import and distribution of food stuffs and medicines). He has been the Sagala's General Manager since its establishment. • Board Chairman and partner in the Gulf Medical Company Ltd., a limited liability company operating in import and distribution of medical equipment since 1991 to date. • Currently is a member of the Board of Arab Food Supplies Company Ltd., a limited liability company operating in import and distribution of food stuffs, since 1990G to date. • Member of the Board of Sidq Company, a Saudi public joint stock company, operating in the manufacture of petro-chemicals, food stuffs, salt, artificial rubber, ceramic products, etc., from 2007G to 2009G.
2.	Name	Khaled Saudi Abdul Aziz Al Hasan
	Age	61
	Nationality	Kuwaiti
	Current Post	Board Member and Managing Director
	Appointment Date	7.1.2013G
	Qualifications	Holds a bachelor degree in Political Science and Economics, University of Kuwait, 1976G.

	Professional Experience	• Has insurance, administrative and financial experience for more than 30 years in insurance industry. • General Manager of Gulf Insurance Group, a Kuwaiti joint stock company operating in insurance and re-insurance, from 1991G until 2002G. • Joined Gulf Insurance Company, a Kuwaiti joint stock company operating in insurance and re-insurance, since 1978G, and has been the Chief Executive Officer and Board member since 2002G to date. • Currently, he is the representative of Gulf Insurance Company in the Boards of its subsidiaries: Arab Egyptian Insurance Group Company (Egyptian Joint stock company) since 2005G, Bahraini Kuwaiti Insurance Company in Bahrain (Bahraini joint stock company) since 2003G, Al Sharq Al Arabi Insurance Company (Jordanian joint stock company) since 2008G, Egyptian Company for Takaful Insurance – Hayat (Egyptian joint stock company) since 2007G, Egyptian Company for Takaful Insurance – Momtalakat (Egyptian joint stock company) since 2007G. All of these companies operate in insurance. • Board Member of the Kuwaiti Re-Insurance Company, a Kuwaiti joint stock company, practicing re-insurance since 2005G to date. • Board Member of the Arab Insurance Company, a Lebanese re-insurance joint stock company, since 2007G to date.
3.	Name Age Nationality Current Post Appointment Date Qualifications	Rafat Atiya Hasan Al Salamony 65 Egyptian Board Member 7.1.2013G Holds a Bachelor degree in Commerce, with specialty in Accounting, University of Alexandria, Egypt, 1971G.
	Professional Experience	• Has long insurance, administrative and financial experience. He started his career in the Gulf Insurance Group and assumed several posts in financial, investment and administrative affairs since 1975 to date. He has been the Acting Board Secretary since 1998G. • Currently, he is the First Deputy General Manager and Secretary of the Board of Gulf Insurance Group since 1998G. • Currently, he is Chairman of the Board of the Egyptian Arab Insurance Group, an Egyptian insurance joint stock company, since 2005G to date. • Board Member of the Gulf Insurance and Re-Insurance Company, a Kuwaiti insurance and re-insurance joint stock company since 2007G to date. • Board Member of the Egyptian Company for Takaful Insurance – Hayat (Egyptian insurance joint stock company, since 2010G to date). • Board Member of the Egyptian Company for Takaful Insurance – Momtalakat, Egyptian insurance joint stock company, since 2012G to date.
4.	Name Age Nationality Current Post Appointment Date Qualifications	Ibrahim Mohammed Ibrahim Batterjee 42 Saudi Board Member 7.1.2013G Holds a Bachelor of Accounting, College of Economics and Business Administration, King Abdul Aziz University, Jeddah, 1994. Holds a master degree in Business Administration from the Arab Academy for Science and Technology, Egypt, 2002.
	Professional Experience	• Businessman appointed as General Manager of Al Baterjee Ice-cream and Juices Factory since 1998. • General Manager of Al Baterjee Clothing Factory since 1998 and the CEO for Al Baterjee Holding Company since 1994. These three companies produce and distribute food stuffs, clothing, and medicines to all cities in the Kingdom of Saudi Arabia. • General Manager of Euro-Café Company, a Saudi limited liability company operating in Marketing since 2001 to date.
5.	Name Age Nationality Current Post Appointment Date Qualifications	Abdul Aziz Fahad Mohammed Al Rashed 65 Saudi Board Member 7.1.2013G Holds a Bachelor degree in Commerce, College of Business Administration, Cairo University, Egypt, 1977. Attended many courses and training programs in the banking sector.

	Professional Experience	• Currently, he is a Certified Financial Advisor and Chief Executive in Arabian Argaam Investment Company, a Saudi limited liability company operating in projects and investment opportunities studies since 2012G to date. • Assumed many administrative posts in Saudi Cairo Bank from 1990 until 1997. • Assumed many administrative posts in Bank of Bahrain and Kuwait in Kuwait from 1978 to 1989. • Branch Manager in Saudi United Bank from 1997 until 2001. • Branch Manager in the Arab National Bank from 2001 until 2004. • Marketing Manager in the Arab National Bank Investment Services Group from 2004 until 2010G.
6.	Name Age Nationality Current Post Appointment Date Qualifications	Adel Ali Hasan Al Sayed 54 Saudi Board Member 7.1.2013G Holds a Bachelor degree in Civil Engineering, King Fahad University for Petroleum and Minerals, 1982. Holds a Master Degree in Engineering Management from Milwaukee School of Engineering, USA, 1982. Holds a PHD in Financial Management from George Washington University, Washington, USA, 1993.
	Professional Experience	• A Financial Analyst in the World Bank, Washington, USA, i.e. World Bank projects in the Middle East from 1992 until 1994. • Deputy General Manager in Rana Investment Company, a Saudi closed joint stock company that provides a group of services including Company financing, assets management and investment consultations from 1994 until 1996. • Manager of Companies Financing and Consultations Unit in Samba Financial Group, a Saudi joint stock company operating in banking services, from 1996 to 2000. • Direct Investment Manager in International Bank of Bahrain from 2000 to 2004. • Deputy Business Development Manager in Gulf Investment Institution, a Gulf joint stock company in equity share property of GCC countries, with its headquarters in Kuwait. The establishment was founded for the development and diversification of Economy and development of financial markets in GCC countries, from 2004 until 2006. • Executive Manager of United Gulf Investment Company (UGIC), a Bahraini joint stock company, operating in industrial projects development in GCC countries, with its headquarters in Manama, Bahrain, from 2006 to 2013G. • Executive Manager of International and Direct Investments in addition to the membership in the Board of Kingdom Holding Co., a Saudi joint stock company operating in investment in a number of local and international sectors, since January 2014 to date.
7.	Name Age Nationality Current Post Appointment Date Qualifications	Ziyad Bassam Mohammed Al Bassam 50 Saudi Board Member 7.1.2013G Holds a Bachelor degree in Business Administration, King Abdul Aziz University, Jeddah, 1987
	Professional Experience	• Executive Manager of Al Bassam Trading Company, a Saudi limited liability company operating in General Trade, since 1988 to date. • Deputy Chairman of the Board of the Chamber of Commerce and Industry in Jeddah, since 1992 to date. • A Board Member, member of the Nomination and Remuneration Committee and Audit Committee in Jabal Omar Development Company, a Saudi joint stock company operating in Real Estate Development, since 1428 to date. • A Board Member, member of the Nomination and Remuneration Committee and Audit Committee in Makkah Construction and Development Company, a Saudi joint stock company operating in Real Estate Development, since 2011G to date. • A member in Makkah Region Council, from 2010G to date.

5 - 3 Board Secretary

A Brief Overview of Board Secretary		
1.	Name Age Nationality Current Post Appointment Date Qualifications	Mohammed Mustafa Bin Siddiq 64 Saudi Board Secretary 7.1.2013G Holds a bachelor degree in Business Administration, King Abdul Aziz University, Jeddah, 1979. Holds many certificates in administration, marketing and industrial administration and training courses and programs.
	Professional Experience	• Technical Audit Supervisor and Chief Auditor, in Saudi Airlines, from 1966 until 1977. • General Manger of Supplies and Logistics in Dallat Al Barakah Group, a Saudi limited liability company operating in maintenance and operation, from 1977 until 1979. • Manger of Marketing, Tenders and Contracts in Dallat Al Barakah Group, a Saudi limited liability company operating in maintenance and operation, from 1979 until 1986. • General Manager of Dallah Trading Company, a Saudi limited liability company operating in investment and development in a number of sectors, from 1986 until 1991. During the said period, he supervised the implementation of many industrial, commercial, service, maintenance and operation projects. • Independent administrative consultant, under license no. 33, and a voluntary guide in the Centennial Fund and a member in many charity societies. • Participated in more than 80 training courses, many seminars and conferences. He published many specialized articles in administration, etc.

5 - 4 Senior Executives (Senior Management)

The Company seeks to improve performance under the leadership of the Managing Director assisted by the General Manager. Since incorporation of the Company, Khaled Saud Al Hasan has been appointed as the Managing Director, while Samer Kanj has been appointed as the General Manager. They are still on the top of the Company executive management. For Company administration, they are assisted by a highly qualified small team of the senior executive management. The team is working under the internal Authority Matrix, which clearly determines Senior Management responsibilities, levels of authority, powers and authority to contract with third parties. The Authority Matrix stipulates signing powers, in line with the Company leadership positions and in accordance with the type, value and duration of contracts to be signed with clients or another party. We would like to state that the two positions, the Assistant General Manager for Operations and Risks Manager are still vacant. The Company is in the process of filling these positions, in line with the requirements of SAMA. The Company seeks to fill the said positions directly after completion of the Offering of the Rights Issues.

Table 2.5: Senior Executives *

Ser.	Name	Position	Nationality	Age	Date of Appointment
1	Samer Kanj	General Manager	American	48	1.7.2010
2	Samer Ahmed Saad	Financial Manager	Lebanese	33	1.7.2010
3	Syed Riyaz Rizvi	Technical Manager	Pakistani	62	1.7.2010
4	Abdul Aziz Abdullah Khamis	Human Resources and Administrative Affairs Manager	Saudi	40	1.7.2010
5	Khaled Mohammed Abu Shaar	Senior Manager, Information Technology	Jordanian	51	12.2.2013
6	Vacant **	Risk Manager	-	-	-
7	Vacant **	Assistant General Manager, Operations	-	-	-

Source: Company

* None of the senior executives holds any shares directly or indirectly

** Filling the two vacant positions is underway, with priority for Saudi Nationals

A Brief Overview of Senior Executives

Name	Samer Kanj
Age	48
Nationality	American
Current Post	General Manager
Appointment Date	1.7.2010G
Qualifications	• Holds a bachelor degree in Business Administration, University of California, Northridge, USA, 1991.
Professional Experience	• Assistant Regional Manager in the Arabian Insurance Company, a Saudi insurance joint stock company, from 1995 until 1999. • Kuwait Branch Manager, Arabian Insurance Company, a Saudi insurance joint stock company, from 1999 to 2003. • General Manager of Saudi Pearl Insurance Co., a Bahraini insurance closed and exempt joint stock company, from 2004 until 2010G. • General Manager of Buruj Cooperative Insurance Company, a Saudi insurance joint stock company, since 2010G to date.
Name	Samer Ahmed Saad
Age	33
Nationality	Lebanese
Current Post	Financial Manager
Appointment Date	1.7.2010G.
Qualifications	• Holds a bachelor degree in Business Administration, (with specialty in Accounting and Finance), Lebanese University, Beirut, Lebanon, 2003G • Holds Certified Management Accountant (CMA) certificate from the Institute of Management Accountants (IMA), USA.
Professional Experience	• Accountant in Moore Stephens International, a Lebanese Company operating in Accountancy and Auditing, from 2005G until 2006G. • Assistant Financial Manager in Saudi Pearl Insurance Company, a Bahraini insurance closed joint stock exempt Company, from 2006 to 2010G. • Deputy Financial Manager In Buruj Cooperative Insurance Company, a Saudi insurance joint stock company, from July 2010G until January 2011G. • Financial Manager of Buruj Cooperative Insurance Company, a Saudi insurance joint stock company, since 2011G to date.
Name	Syed Riyaz Rizvi
Age	62
Nationality	Pakistani
Current Post	Technical Manager
Appointment Date	1.7.2010G.
Qualifications	• Holds a Bachelor of Science from Punjab University, Pakistan, 1972. • Holds Fellowship of the Association of the Chartered Insurance Institute, Britain, 2004.
Professional Experience	• Eastern Province Regional Manager, Gulf Cooperative Insurance Company, a Bahraini insurance joint stock closed exempt public Company, from 1997 to 2001. • Central Province Regional Manager in Saudi Insurance and Reinsurance Brokers Company, a Saudi limited liability Insurance Brokerage Company, from 2001 to 2003. • Technical Affairs Manager in Allied Cooperative Insurance Group (ASIG), a Saudi insurance joint stock company, from 2003 to 2007. • Technical Affairs Manager in Saudi Loloa Warrantee Company, a Bahraini insurance closed joint stock exempt Company, from 2007 to 2010G. • Technical Manager in Buruj Cooperative Insurance Company, a Saudi insurance joint stock company since 2010G to date.
Name	Abdul Aziz Abdullah Khamis
Age	40
Nationality	Saudi
Current Post	Human Resources and Administrative Affairs Manager
Appointment Date	1.7.2010G.
Qualifications	• Holds a Bachelor of Science (Public Administration), King Abdul Aziz University, 2003.
Professional Experience	• Assumed several posts in Arabia Insurance Cooperative Company, a Saudi insurance joint stock company from 1999 to 2008G. • Acting Manager of Human Resources and Administrative Affairs in Saudi Loloa Warrantee Company, a Bahraini insurance closed joint stock exempt Company, from 2009 to 2010G • Human Resources and Administrative Affairs Manager in Buruj Cooperative Insurance Company since 2010G to date.

A Brief Overview of Senior Executives	
Name	Khaled Mohammed Ab Shaar
Age	51
Nationality	Jordanian
Current Post	Senior Manager, Information Technology
Appointment Date	12.2.2013G.
Qualifications	• Holds a Bachelor of Civil Engineering, University of Technology, Baghdad, 1985.
Professional Experience	• Senior Programmer in Business Machine Corporation (BMC), a Saudi limited liability company, from 1994 until 2000. • Technical Manager in International System House Establishment, an individual establishment operating in software and communications technology, from 2000 to 2005. • Manager of Information Technology in Al Amana Gulf Insurance Company, a Bahraini insurance closed exempt Company from 2005 until 2011G. • Manager of Information Technology in Al Amana Cooperative Insurance Company, a Saudi insurance joint stock company from 20011 until 2012G. • Senior Manager of Information Technology in Buruj Cooperative Insurance Company, a Saudi joint stock insurance Company, since 2013G to date.

5 - 5 Company Main Departments

5 - 5 - 1 Technical Department: Comprises the following sections:

- **Underwriting**

The tasks of this section include assessment of risks for offers submitted for new policies, preparation and issuance of insurance policies, re-evaluation of policies upon renewal and sometimes cancellation of these policies.

The section also takes the coverage decision and issues insurance policies based on the information submitted by the client and experts' reports and in accordance with the standards previously identified by the Company's Management. These policies and their validity are reviewed periodically. The section also ensures coverage of risks provided for in the policy in line with the client's needs and the effect of this coverage on the premium, which will be considered. Once the client accepts a quotation, the insurance policy and debit note are issued. The Acquisition Section will keep the quotation in case of rejection.

The Underwriting Section also determines the risk profile related to the issued policies which will be covered by the Company, and transfers the surplus ratios to re-insurance companies through Re-insurance Section.

Lists will be issued for all insurance policies which are about to expire. Underwriting Section will review claims resulting from these policies to determine whether or not they will be renewed and re-priced by the Company. In addition, the Underwriting Section makes amendments to current policies in many cases, such as adding or deleting certain issues in the coverage, based on insurance type. The section also undertakes other tasks such as reporting, preparation of data and statistics on section's business and follow-up of sending the same periodically to the concerned departments.

- **Claims**

The tasks of this section include settlement of compensations by registering and verifying claims, and damage examination and assessment. It also informs re-insurance companies of incurred claims and rejection of claims in the event of a defect in one of the policy terms and conditions. Claims Section also requests the assistance of local and international consultation offices to assess damage before compensation wherever necessary. Other tasks of this section include:

- Provide a provision for compensation for accidents under settlement.
- Pay due compensations after completion of relevant procedures, in line with the instructions and competent jurisdiction.
- Prepare reports, data and statistics on section's business and follow-up of sending the same periodically to the concerned departments.
- Reinsurance

Re-insurance is the mechanism under which risks of the insured or parts thereof are transferred from the insurance company to the re-insurance company to distribute risks and reduce loss.

The Company has concluded a number of re-insurance agreements with re-insurance companies, which provided the Company with appropriate underwriting capability, and assisted the management in reducing possible losses due to big risks and provide a bigger opportunity for growth. The reinsurance coverage includes discrete re-insurance and proportionate and disproportionate re-insurance agreements. The Company selects insurance companies based on the following criteria:

- A minimum of BBB Credit rating by international rating agencies.
- Service quality and speed in recovering re-insurance companies shares from paid claims.

- Terms of coverage and extent of suitability and conformity to the coverage issued from the Company to the insured.
- Re-insurance cost and prices.

The tasks of this section also include the following:

- Study and analyze insurance portfolios in the Company different insurance branches in terms of results.
- Distribute agreement share to the different re-insurers inside and outside the kingdom, taking into consideration re-insurers credit rating.
- Follow-up implementation of agreements with the different insurance sections in terms of agreed upon rules and regulations as well as clarifying terms of underwriting.
- Review of issued technical accounts and ensure their conformity with the said agreements.
- Analyze, study, approve and disapprove re-insurance offers and agreements.
- Comply with and work in accordance with the re-insurance Implementing Regulations issued by the Saudi Arabian Monetary Agency (SAMA).

5 - 5 - 2 Finance Department

Finance Department undertakes the following tasks:

- Prepare financial statements; provide and monitor information on compliance with accounting principles adopted by the Company and prepare accounting and financial procedures for investment portfolio in terms of public accounting and technical accounting.
- Ensure the application of the general framework and the systems relevant to the financial policies in order for the department to participate effectively in general strategy development.
- Prepare estimated budgets, and monthly, quarterly and annual statistical and administrative reports.
- Ensure suitable preparation and application of effective system for cost distribution.
- Supervise applying the investment strategy prepared by the investment committee and monitor performance of asset managers.
- Manage the Company cash flows on monthly, quarterly and annual basis.
- Make necessary communications regarding Zakat and taxes and assist in preparing investment policy.
- Inform and advice the Company's Management of main financial issues.

5 - 5 - 3 Human Resources and Administrative Affairs Department

This department is responsible for preparing personnel related policies, provision of Company different qualified personnel, set up of plans that ensure personnel retention as well as playing a strategic role by providing a suitable work environment and assisting in developing a suitable organizational structure. The department is also responsible for identifying needs and priorities with respect to developing human resources and training; provision of guidance and direction through practical variables to achieve balance between the Company expectations and needs and its personnel Human Resources assesses its contribution in increasing Company efficiency, including, estimating, design, implementation of Company goals related activities and monitoring of the legislation environment to identify suggested changes in the Labor Law. HRD also takes relevant measures and identifies personnel requirements to meet Company needs and goals in coordination with other departments and sections; monitoring implementation of human resources regulatory guide, and ensuring all departmental adherence thereto is another responsibility of HRD, which communicates with Company personnel to ensure they understand Company polices, laws and regulations. HRD also develops, analyzes and implements compensation policies and wage structure in line with the Company strategic goals; evaluates employment process; ensures implementation of the Saudization plan; provides programs to assist personnel in professional aspects and provision of office, administrative and service supplies to all Company departments and branches as well as preparation of the monthly payroll.

5 - 5 - 4 Internal Audit Department

The Internal Audit Department is responsible for all internal audit tasks. It takes all measures necessary to ensure rectifying the comments stated in the auditing reports. The internal audits were directed to the high risks activities and functions, raising the Company proficiency, efficiency and profitability. It is worth mentioning that Internal Auditing provides independent subjective services that aim to assist the Board of Directors, Auditing Committee and the Executive Management to undertake their responsibility with a high degree of efficiency. This department is not subject to any influence from the executive management and has full authority to a complete unlimited access to any records and possessions in line with vested tasks. The responsibilities of the Internal Auditing Department are summarized as follows:

- Prepare strategic plan for internal audit business.
- Implement audit processes in line with the annual plan approved by the Audit Committee.
- Submit audit results reports to the Audit Committee and concerned departments.

- Identify financial and operational risks and cooperate with the management to provide appropriate cost effective control tools for reduction and early detection of risks.
- Coordinate with the Company different departments and external audit authorities, including external auditors.
- Develop policies and procedures for implementing audits in line with the professional practices, and avail all available resources in line with the Company budget.

5 - 5 - 5 Regulatory Control Department

The Regulatory Control Department is accountable functionally to the Audit Department and administratively to the Board of Directors and the Senior Management. It is responsible for ensuring that the Company is applying the related rules and regulations issued by the controlling authorities such as the Saudi Monetary Agency, Capital Market Authority, Saudi Stock Exchange, and Cooperative Health Insurance Council; informing the Audit Committee of any compliance related violations or risks as well applying rules and regulations issued by controlling authorities and related to Company performance and its relationship with shareholders and market.

5 - 5 - 6 Risks Management Department

The Risks Department plays a main role in developing a comprehensive strategy that ensures identifying potential risks, which could prevent the Company from achieving its goals; confine risks in a form acceptable to the Board and Senior Management, in line with the regulations that govern Company business. The Risks Management also prepares and reviews the Company different policies and procedures and ensures that it includes compliance procedures sufficient to manage potentials risks. The department also provides support and training required for risks coordinators in all departments as required. In addition, the Risks Management Department maintains a unified risks record updated regularly, and reports possible and actual losses (if any), to the Risks Committee, Senior Management and Audit Committee.

5 - 5 - 7 Operations Department: It includes the following sections:

- **Information Technology (IT)**

This section develops and applies the information technology policy and develops IT services and capabilities to support Company strategic goals; takes part in developing the action plan and its required budget, implementing daily operations, submitting daily reports on efficiency and general performance, maintaining relations with suppliers; coordinating and following up with programs providers, identifying and providing Company needs from programs and reports required for compliance with the laws and instructions of relevant official entities. The Information Technology also provides Company departments different needs to follow up the results of Company plans for sales, services, data analysis, database management and other activities which aim to achieve maximum efficiency in supporting Company operations and making use of available information. Information Technology also ensures proper performance and operation of technology, systems and services, and maintenance and update periodically, the Company database, data and website. IT also develops policies, procedures and measures that ensure efficiency and safety of systems, data and operations; assists Company different departments in technical issues, systems maintenance and establishes and implements effective system for emergency and retrieval of information in the event of system crash.

- **Sales and Marketing**

This section develops a marketing strategy, establishes marketing channels, develops strategy targeted markets; maintains effective communication with marketing channels and Company clients, and expands clients' base and retains Company clients; promotes a positive image for the Company through professional sales services and tools, and builds a level of awareness and credibility and enhancement of Company image. Sales and Marketing also analyses market environment to identify and assess potential opportunities, threats and weakness and strength points (quality, price, service, and terms of payment). It also updates clients' database utilizing the different marketing means, applying criteria that meet clients' expectations and ensure their satisfaction. The Company continuously seeks to develop its products to suit clients need. In addition to direct sale, the Company, through branches and sales points spread kingdom-wide, utilizes other distribution channels such as insurance agents and brokers.

5 - 6 Declarations of Board Members, Board Secretary and Senior Executives

The Company's Directors, Board Secretary and Senior Management declare that:

- Neither any Board member nor any member of the Senior Management nor the Board Secretary has been declared insolvent or bankrupt.
- They have not been employed in a managerial or supervisory capacity at a company that has declared bankrupt in the five years preceding the date of this Prospectus. Also, none of the Company's Directors have been declared bankrupt.
- Neither any Board member, Senior Management member nor the Board Secretary nor do any of their relatives, has any direct or indirect interest in the Company's shares except as otherwise mentioned in the section (Legal Information "Contracts and Transactions with Relevant Parties") of this Prospectus.

- The Company has neither previously issued any debt instruments nor declared the issuance of such instruments.
- Except as mentioned in the section (Company Capital and Indebtedness) of this Prospectus, the Company has no potential obligations, nor has it submitted any guarantees for the benefit of third parties.
- Having reviewed Company cash flows, it has been shown that the Company working capital is sufficient for twelve months immediately following the date of publication of this Prospectus.
- They do not have any authorities or rights to obtain loans from the Company.
- They do not have the right either to vote on their remunerations or on any contract or suggestion wherein they have substantial interests.
- Board members confirm that all substantial issues related to the Company and its financial performance have been declared in this prospectus and that there are no other facts, the omission of which from this prospectus would mislead shareholders.
- Board members declare compliance with article 69 and article 70 of the Companies Regulations with respect to contracts and transactions with relevant parties as follows:
- All contracts and transactions with relevant parties are submitted to the Board for approval. It is then submitted to the ordinary general meeting for approval, with the abstention for the relevant Board member from voting on the Board resolution and related ordinary general meeting.
- Board members confirm that they will not compete with the Company business and that they will deal with relevant parties on pure commercial principles.
- The Company By-Laws does not grant any Board member or the Executive Manager the right to vote on any contract or suggestion wherein they have interest. It also does not give any member the authority to vote on any special bonus granted to them or any authorities that allow Board members or senior executives to
- Board members also declare that there is no intention to make substantial change in the nature of Company business.
- They declare that there are no policies or important information related to research and development of new products and methods of production during the three fiscal years directly preceding the date of the prospectus, and that no employment contracts current or suggested to any Board member up to the date of this prospectus.
- The Company has currently neither any shares allocation program nor any other arrangements to allocate a capital share to its employees.

5 - 7 Compensation and Remuneration of the Board of Directors and Senior Executives

The remunerations of the Board of Directors are proposed by the Nomination and Remuneration Committee, in line with the Company's By-Laws and resolutions passed in this regard, and are brought to the Board of Directors to be approved by the AGM.

Table 5.3: Rewards and benefits earned by the members of the Board of Directors and the top five Executives including the General Manager and Chief Financial Officer during the years 2011G, 2012G, and 2013G.

Description	2011	2012	2013
Independent and non-executive Directors	1,160,000	1,207,040	1,051,500
Executive Directors	386,000	379,500	390,500
Senior Executives (including the General Manager and Chief Financial Officer)	2,601,438	2,716,680	3,028,823
Total (SAR)	4,147,438	4,303,220	4,470,823

Source: Company

5 - 8 Appointment of members of the Board of Directors, Managing Director and Chief Financial Officer and determining their responsibilities and remuneration

The members of the Board of Directors are appointed by the AGM. Until the date of this Prospectus, cumulative voting manner has not been adopted but was included as an item on the agenda of the AGM (IV) held on May 06, 2013G and has not been approved yet. The Companies Regulations, Corporate Governance Regulations and the Company's By-Laws and internal governance regulations identify the duties and responsibilities of the Board of Directors.

The Company has obtained letters of non-objection from the Saudi Arabian Monetary Agency before any candidate can be appointed to assume a leading position in the Company in accordance with Article (27) of the Insurance Companies Control Law. The Company has committed itself to notify Saudi Arabian Monetary Agency upon service termination of any of the persons who occupy the following positions: Members of the Board of Directors, members of the Board committees, Board Chairman, Managing Director, Secretary of the Board of Directors and members of Senior Management. However, the Company has not obtained letters of no objection with respect to the following functions: Senior Manager, Information Management Department, Al Khobar, Jeddah and Riyadh branch managers.

The following is a summary of the functions, responsibilities and remuneration of the Board of Directors, Managing Director, General Manager and Chief Financial Officer:

5 - 8 - 1 Board Chairman

The duties and responsibilities of the Board Chairman include the following:

- Represent the Company in its relations with third parties.
- Contracts on behalf of the Company, tenders and performs all acts, actions and executes all types of contracts and documents.
- Presides over the meetings of the Board.
- Presides over the meetings of the shareholders General Assembly.

Board Chairman's Remuneration

In accordance with the Company's By-Laws, the Board Chairman receives annual remunerations of SAR 180,000 (Saudi Riyal One Hundred and Eighty Thousand), in addition to SAR 3,000 for attending each meeting of the Board of Directors as well as a compensation for relevant expenses.

Term of membership of Chairman and members of the Board of Directors

In accordance with the Company's By-Laws, membership of the chairman and members of the Board of Directors shall be for three years starting from the date determined by the General Assembly in its decision regarding their election.

5 - 8 - 2 Board Members

The duties and responsibilities of the Board include:

- Set and follow-up overall strategy and key objectives of the Company including Company's annual financial and operating plans in light of the recommendations made by the senior executives of the Company.
- Appoint the Board Chairman and Managing Director from among the Board members.
- Appoint Company›s General Manager and oversee his performance.
- Develop and review the risk management policy.
- Determine Company›s optimal capital structure, strategy, financial objectives and approve its annual budgets.
- Oversee the Company›s capital expenditures, acquire assets and dispose of them.
- Establish performance objectives, monitor representation and overall performance of the Company.
- Periodic review of the organizational and functional structures of the Company and approve the same.
- Develop a written policy that governs conflict of interest and addresses the potential conflict of interest cases for each of the members of the Board of Directors, executive management and shareholders, including misuse of Company›s assets and facilities, and misconduct resulting from transactions with the related persons.
- Ensure integrity of the financial and accounting systems, including the relevant financial reporting systems.
- Ensure the application of appropriate control systems to manage risks by identifying the overall perception about risks that the Company may encounter and highlight such risks transparently.
- Annual review of the effectiveness of Company›s internal controls.

Board Members' Remunerations

The annual remuneration of each Director stands at SAR 120,000 (Saudi Riyal one hundred and twenty thousand). A director receives also SAR 3,000 for attending every Board meeting, in addition to compensation for relevant expenses.

5 - 8 - 3 Managing Director

In accordance with the provisions of Article (18) of the Company's By-Laws, the Board shall appoint its Chairman from among its members as well as a Managing Director of the Board Members. The Board Chairman and Managing Director shall be entitled to sign for the Company and implement the Board's resolutions. The Board Chairman or the Managing Director shall represent the Company before judiciary and third parties, and either one of them has the right to delegate certain or all of his duties to others.

In its third meeting on June 07, 2010G, the Board of Directors has approved the Managing Director›s remunerations of SAR 240,000 (Saudi Riyal two hundred and forty thousand) versus the duties entrusted to him to run the business and its management requirements, however, the Managing Director has not signed an employment contract with the Company.

5 - 8 - 4 General Manager

The duties and responsibilities of the General Manager include the following:

- Implement the overall strategy of the Company and follow-up its key objectives including the Company's annual financial and operational plans.
- Oversee all Company›s divisions, departments and operations.
- Provide technical and administrative reports on the overall performance of the Company›s to the Board of Directors.
- Attend regular meetings of the Board of Directors and its various committees.

General Manager Remuneration

General Manager shall receive a monthly pay inclusive of basic salary and allowances set in his employment contract.

General Manager term of office

The General Manager's term of service is determined under annual services contract that is automatically renewed for one year by the Company.

5 - 8 - 5 Chief Financial Officer (CFO)

The main duties of the CFO include:

- Prepare periodic reports to the management on the Company's financial position and the progress made in various activities.
- Supervise the preparation of financial reports required by SAMA and other relevant official bodies.
- Follow up the preparation of the Company›s financial statements and the future financial projections, compare the actual results with the expected results and recommend corrective actions when appropriate.
- Oversee the implementation of the approved investment policy and manage the same with the licensed banks and financial institutions.
- Create and implement a review of the internal control systems within the management to ensure the implementation of the Company›s accounting policies.
- Deal with the official authorities regarding financial issues to verify the Company›s compliance and ensure the Company›s proper classification and protection of any consequences or penalties from any source.

Chief Financial Officer Remuneration

The Chief Financial Officer receives a monthly pay inclusive of his basic salary and allowances a set in his employment contract.

Chief Financial Officer term of office

Chief Financial Officer term of service is determined under annual service contract that will be automatically renewed by the Company for one calendar year.

The members of the Board of Directors, secretary of the Board and members of Senior Management hereby declare that there is no contract or arrangement in effect or planned to be concluded on submitting this prospectus, in which they or any of their relatives have interest in the Company's business other than as set forth under "Transacting with related Parties" section of this Prospectus.

5 - 9 Corporate Governance

Buruj Cooperative Insurance Company's Management is committed to adopting and applying the highest standards of corporate governance. This emphasizes the Company's commitment to applying all the provisions of the Corporate Governance Regulations and any amendments thereto issued by the Capital Market Authority.

The Board of Directors is aware that efficient management and control is crucial for success of the Company. The Company is highly committed to using and applying the highest standards of corporate governance in order to ensure that the Board of Directors is performing to achieve the interests of the Shareholders to the fullest, and to provide a real, clear and fair view of the Company's financial position and results of operations. The Company's governance regulations, disclosure policy, standards and guidelines for selecting the members of the audit and nominations and remuneration committees, duration of membership, method of performance and the guidelines for selecting members of the second Ordinary Meeting of the General Assembly were approved on 25/06/1432H, corresponding to May 28, 2011G. On 26/06/1433H (May 06, 2013G), the Company has in its fourth Ordinary General Assembly approved the conflict of interest policy, as well as the standards and procedures policy for appointment of Directors through its fifth AGM held on 22/06/1435H (April 22, 2014G).

The Company is also committed to implementing all the rules and regulations issued by the regulatory authorities, as well all the internal policies and procedures.

The Company has a clear separation of responsibilities in its Authority Matrix between of the supervisory role of the Board of Directors and the Company›s executive management, in addition to the existence of effective internal controls and systems. It also has competent and highly professional internal audit team that conducts independent reviews of all departments and functions of the Company.

The Company uses highly professional and competent external auditors to provide annual reports on the activities of the Company. Following is an overview of the Company›s implemented corporate governance framework:

Shareholders General Assembly: Shareholders will be informed of all important developments in the Company through reports on the financial performance of the Company, and publishing of all important news and information relating to the Company and its operations. Shareholders are encouraged to attend the General Assembly Mmeetings of the Company and are provided with needed requirements for such meetings.

Board of Directors: The Board of Directors assumes full responsibility for running the Company and protecting the interests of its shareholders. One-third of the Directors shall be independent.

Provision of financial and other information: The Board of Directors is responsible for providing Shareholders with information about the Company›s financial performance.

Committees of the Board: The Board has committees to help it perform its business properly according to the regulatory regulations. These committees are: Executive Committee, Audit Committee, the Nomination and Remuneration Committee and the Investment Committee.

Executive Committee

Based on Article 20 of the Company's By-Laws, the Board of Directors formed an executive committee composed of three members.

The duties and responsibilities of the Executive Committee are as follows:

- Set the overall strategy, key objectives and action plans of the Company and oversee their implementation.
- Review the Company's budget and financial plans prepared by the executive management prior to submission to the Board of Directors and to recommend to the Board of Directors for approval of the same.
- Prepare and review investment policy and ensure its compliance with the terms and conditions of the applicable regulations as well as the policy in force, make the final decisions on investments and dispose of them and monitor the performance of the Company's investments.
- Review internal policies and bylaws set by the executive management prior to submission to the Board of Directors and to recommend to the Board of Directors for approval.
- Handle all the issues referred to the Committee regarding the executive management and make appropriate recommendations on such issues.

The members of the Committee will receive an allowance of SAR 1,500 (one thousand and five hundred Saudi Riyal) for attending the committee's meetings for each member per session, as well as a bonus to be approved by the Board at the end of the year based on the financial performance of the Company and recommendations of the Nomination and Remuneration Committee.

The Executive Committee consists of:

Table 5.4: members of the Executive Committee

Name	Position	Membership of the Board Directors
Yasser Yusuf Mohammed Naghi	Chairman of the Executive Committee	Board Chairman - Non-Executive
Khaled Abdul Aziz Saud Al-Hasan	Member	Board Member – Executive
Ziad Mohammed Bassam Al-Bassam	Member	Board Member – independent

Source: Company

Please refer to section (5.2) «Board Members» for biography of the members of the Executive Committee.

Audit Committee

Based on article (19) of the Company's By-Laws and Article (14) of Corporate Governance Regulations, the Board of Directors has formed the Audit Committee of three members. The Audit Committee acts in accordance with the prevailing laws and regulations and on the basis of the Committee's Charter approved by General Assembly on May 28, 2011G.

The duties and responsibilities of the Audit Committee are as follows:

- Oversee the internal audit activity management in the Company in order to check its effectiveness in the implementation of functions and tasks set by the Board of Directors.

- Review the internal control system and produce a written report providing its views and recommendations regarding the system
- Review the internal audit reports and monitor the implementation of the corrective actions for the comments raised in the reports.
- To recommend to the Board of Directors appointment of Chartered Accountants and determine their fees and laid off, taking into account their independence when recommending the appointment.
- Monitor the function of the Chartered Accountants, and approve any work outside the scope of audit performed during their assigned audit function.
- Review the audit plan with the chartered accountant and provide the Committee›s notes on it.
- Study the chartered accountant›s notes on the financial statements and follow up on required actions.
- Study and the initial annual financial statements prior to submission to the Board of Directors and to provide opinion and recommendation thereon.
- Study the accounting policies used and provide comments and recommendation thereon to the Board of Directors.

Members of the Audit Committee receive an allowance of SAR1,500 (Saudi Riyal one thousand and five hundred) for attending the committee's meetings for each member per session, as well as a bonus to be approved by the Board at the end of the year based on the financial performance of the Company and recommendations of the Nomination and Remuneration Committee.

The Audit Committee consists of:

Table 5.5: Members of the Audit Committee

Name	Position	Membership of the Board Directors
Rafat Attiya Hasan Al-Salamouny	Chairman of the Audit Committee	Board Member - Non-Executive Director
Ali bin Khaled Al-Shaibani	Committee member	from outside the Board of Directors
Abdullah bin Saud al-Rashoud	Committee Member	from outside the Board of Directors

Source: Company

Please refer to section (5.2) "Board Members" for the biography of "Raafat Attiya Hasan Al-Salamouni"

	Name	Ali bin Khaled Al-Shaibani
	Age	51
	Saudi	National
	Current position	Member of the Audit Committee
	Date of Appointment	June 07, 2010G
	Qualifications	Bachelor's degree in accounting from King Saud University - Riyadh, 1986 Master's degree in accounting from the University of Illinois – USA, 1994. He holds accounting CPA certificate from USA, 1995. He holds accounting CPA certificate from SOCPA, 2000.
1	Experience	• Served as senior accountant for Saudi Arabia Bechtel Construction Company, a Saudi limited liability company engaged in construction and contracting from 1992 to 1996. • He is currently the Chief Financial Officer of Mekshef Services Holding Limited, a Saudi limited liability company engaged in public services, maintenance and management of agricultural, commercial and industrial projects, from 1996 to present.

	Name	Abdullah bin Saud Al-Rashoud
	Age	41
	Saudi	National
	Current position	Member of the Audit Committee
	Date of Appointment	November 12, 2013G

2	Qualifications	A Bachelor's degree in mechanical engineering from King Saud University, 1997 A Master's degree in business administration from the Nottingham University, United Kingdom, 2004
	Experience	• Served as senior project analyst for the Saudi Industrial Development Fund from 1998 to 2003 • From 2003 to 2007, served as senior manager in Aljazeera Bank, a Saudi joint stock company engaged in banking industry. • Served as CEO of Kaseb Capital Group, a Saudi closed joint stock company engaged in financial services, from 2007 to 2009G. • From 2009 to 2012G, served as CEO of Tabarak Investment, a Saudi closed joint stock company engaged in the field of financial and investment services. • Currently serves as CEO of Bloom Investment Saudi Arabia, a Saudi closed joint stock company engaged in the field of investment services, from 2012G till date.

Source: Company

Nomination and Remuneration Committee

Based on Article 15 of the Corporate Governance Regulations, the Board of Directors has formed the Nomination and Remuneration Committee consisting of three members. The Nomination and Remuneration Committee shall perform in accordance with the provisions of laws and regulations in force and on the basis of its Charter approved by the General Assembly on May 28, 2011G. The Company is seeking to expand the powers of the Nomination and Remuneration Committee to enable it evaluate the suitability of the occupants of the leading positions and the candidates for such positions, and adopt appropriate policy to ensure the suitability of the persons nominated to fill the Senior Management positions according to SAMA's guidelines issued on Ramadan 1434H for appointment of leading positions in the financial institutions under the supervision of the SAMA.

The duties and responsibilities of the Nomination and Remuneration Committee are as follows:

- Make recommendation to the Board of Directors for membership of the Board in accordance with the approved policies and guidelines, taking into account not to nominate any person who was previously convicted of a crime involving immorality or dishonesty.
- Review the structure of the Board of Directors and make recommendations regarding changes that can be made, and to identify weaknesses and strengths in the Board of Directors and propose remediation of the same in accordance with the Company›s interest.
- Ensure on annual basis of the independence of the independent members and the absence of any conflict of interest in case a member serves as a Board member of another Company.
- Develop clear policies on compensation and rewards the Board of Directors and senior executives

Members of this Committee receive an allowance of SAR 1,500 (Saudi Riyal one thousand and five hundred) for attending the committee's meetings for each member per session, as well as a bonus to be approved by the Board at the end of the year based on the financial performance of the Company and recommendations of the Nomination and Remuneration Committee.

Nomination and Remuneration Committee consists of:

Table 5.6: Members of the Nomination and Remuneration Committee

Name	Position	Membership of the Board Directors
Ziad Mohammed Bassam Al-Bassam	Chairman of the Nomination and Remuneration Committee	Board Member - independent
Ibrahim Mohammed Ibrahim Batterjee	Committee member	Board Member - Non-Executive Director
Mohammed Mustafa bin Siddiq	Committee Member	Secretary of the Board of Directors

Source: Company

Please refer to section (5.2) "Board Members" for the biography of "Ziad Mohammed Bassam Al-Bassam" and "Ibrahim Mohammed Ibrahim Batterjee", and section (5.3) for the biography of" "Mohammad Mustafa bin Seddiq", Board Secretary.

Investment Committee

The objectives and functions of the Investment Committee are as follows:

- Establish the Company's investment policy, ensure its compliance with the terms and conditions of the rules and regulations in force and supervise its implementation.
- Review the investment policy periodically and provide new recommendations in line with market conditions.
- Approve to attract investments, dispose of them and make the decisions thereon.
- Monitor the performance of the Company›s investments, determine the investment objectives and develop the necessary plans for such investments.

Members of the Committee receive an allowance of SAR 1,500 (Saudi Riyal one thousand and five hundred) for attending the committee's meetings for each member per session, as well as a bonus to be approved by the Board at the end of the year based on the financial performance of the Company and recommendations of the Nomination and Remuneration Committee.

Table 5.7: Members of the Investment Committee

Name	Position	Membership of the Board Directors
Khaled Al Saud Abdul Aziz Al-Hasan	Chairman of the Investment Committee	Board Member - Executive
Adel Ali Hasan Al-Sayed	Committee member	Board Member - independent
Fahd Abdul Aziz Mohammed Rashed	Committee Member	Board Member - independent

Source: Company

Please refer to section (5.2) "Board Members" for the biography of the members of the Investment Committee.

Committee meetings:

Paragraph (3) of Article (20) of the Company's By-Laws requires the Executive Committee to hold (6) meetings at least annually. We conclude from the Audit Committees Regulations and the Draft Governance Regulations that are expected to be adopted by SAMA, that SAMA will approve a minimum number of meetings of the committees of the Board of Directors, so that the Audit Committee has to hold at least (6) meetings per year.

The table below shows the number of committee meetings during the years 2011G, 2012G and 2013G, and the extent of commitment by the committees of the Board of Directors to the number of meetings periodically during the previous fiscal years.

Table 5.8: Number of meetings of the Board›s committees for the years 2011G, 2012G and 2013G

Committees	2011	2012	2013
Executive Committee	-	4	4
Audit Committee	4	4	5
Nomination and Remuneration Committee	1	2	4
Investment Committee	-	1	2

Source: Company

It is required that the Committees of the Board of Directors should maintain continuity of holding their meetings periodically during the fiscal year. With respect to the meetings of the Executive Committee, the Committee has to increase the number of its meetings in the coming years so that the number of such meetings should not be less than (6) meetings during the financial year pursuant to Article (20) of the Company's By-Laws.

5 - 10 Conflict of Interest

None of the Company's By-Laws or any of its regulations and internal policies grant any powers that enable a Director to vote on contract or offer in which he has substantial interest, whether directly or indirectly according to Article (96) of the Companies Regulations, which states that any member of the Board of Directors may not have any direct or indirect interest in the dealings and contracts that are made for the Company without the approval of the AGM that is renewed annually. According to the provisions of the above Article, any member of the Board of Directors must inform the Board of Directors of its personal interests in the dealings and contracts made are for the account of the Company. The Chairman of the Board of Directors shall disclose to the General Assembly when held, the transactions and contracts in which any Director has a personal interest provided that such disclosure must be supported by a special report from the auditor. The Chairman's disclosure shall be included in the Board of Directors meeting Minutes, and that the member with such interest may not vote on the resolution raised in this regard.

Based on the foregoing, the Board of Directors shall:

1. Commit to act according to Articles (69) and (70) of the Companies Regulations, and Article (18) of the Corporate Governance Regulations.
2. Not vote in the meetings of the General Assembly on any of the contracts entered into with related parties.
3. Commit not to compete against the Company's business, and that all transactions with related parties in the future will be on a competitive basis pursuant to Article (70) of the Companies Regulations.

5 - 11 Employee Share Option Plan

Currently the Company does not have share option Plan for the employees, or any other arrangements involving employees in the Company's capital.

5 - 12 Employees and Saudization

The number of the Company's employees increased during the period ended June 30, 2014G to 216 employees, 90 Saudis and 126 non-Saudi employees, an increase of Saudization of (48%) compared to 2013G where the number of employees was (206) including (83) Saudi employees and 123 non-Saudis, a percentage of Saudization of (40.3%). The increase in the number of employees in each year is due to the growth in the insurance portfolio and realized premiums and the need for human resources to meet the increase in the Company's operations. The Company is constantly striving to increase the number of Saudi employees, and will implement a strict training, development and compensation plan that enhances the requirements for Saudization. The Company is within the green range of Saudization bands program, and is committed to applying the regulations and instructions for hiring of non-Saudis and that all non-Saudis are legally hired and are under the direct sponsorship of the Company except for (3) non-Saudis who are not under its sponsorship. The Company is currently transferring the sponsorship of these 3 staff to become official employees. The corrective lead time given by the Ministry of Labor has not adversely affected the Company. Around 25% of the Company's executives are Saudis.

Table 5.9: Total numbers of Saudi staff

	2011		2012		2013		H1, 2014	
	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number
Saudis	38%	60	44%	77	40%	83	42%	90
Non-Saudis	62%	97	56%	97	60%	123	58%	126
Total	100%	157	100%	174	100%	206	100%	216

Source: Company

Table 5.10: Staff numbers by departments

Management	2011		2012		2013		H1, 2014	
	Non-Saudis	Saudi	Non-Saudis	Saudi	Non-Saudis	Saudi	Non-Saudis	Saudi
Audit	-	1	-	1	-	1	-	1
Finance	3	11	2	11	3	11	2	9
HRD Personnel	7	14	9	12	9	11	5	15
IT	-	6	-	6	2	4	3	1
Risk Management	1	-	1	1	1	1	1	1
IPO	8	22	7	20	3	19	2	18
Claims	23	12	21	19	14	13	8	13
Reinsurance	-	3	-	2	-	2	-	2
Marketing & Sales	40	49	33	42	41	28	31	31
Regulatory or Compliance	1	-	1	-	1	-	2	-
Medical Insurance	5	5	7	5	2	3	5	2
GM Office	1	2	1	2	-	3	-	3
Branch Department	-	2	-	2	-	2	-	2
Total Staff	90	126	83	123	77	97	60	97

Source: Company

Note: The 48% Saudization includes the employees with special needs, spouses and children of Saudi women and displaced tribes.

It should be noted that the Company is also complying with SAMA's circular No. 38639/MT/1051 of 03/08/1430H (25/07/2009G) on the requirement for obtaining the insurance (IFCE) certificate for some employees of the insurance companies, where 89 employees have sat for such a certificate and 74 of them have passed the exam successfully and obtained the (IFCE) certificate. Rest of insurance companies' employees will be required to obtain this certificate for the exam to be held again later.

According to the Labor Law, any Company that employs ten (10) employees and more is required to prepare internal Bylaws to include internal rules and procedures governing the Company's functions. Such Bylaws must be approved by the Ministry of Labor prior to implementation. The Company has prepared the required internal By laws that was approved by the Ministry of Labor under the decision of Deputy Minister of Labor No. 1624 of 24/06/1431H (07/06/2010G).

6. Management Discussion & Analysis of the Company's Financial Position and Result of Operations

6 - 1 Introduction

Management analysis and discussion of Company financial position and results of operations as shown below are based on – and must be read in conjunction with - the Company audited financial statements for the financial years 2011G, 2012G, and 2013G and the attached notes which have been audited by both Earnest Young and **Al Bassam Chartered Accountants and Consultants as well as the interim financial statements for the period ending June 30, 2014G and attached notes which have be examined by Earnest Young and Al-Bassam, and Al-Nimer Chartered Accountants " Allied Accountants". All these documents are available on the Saudi Financial Market website "Tadawul" under Company code # 8270.**

6 - 2 Directors' declaration for financial statements

Members of board of directors, both individually and collectively, acknowledge the following:

1. All financial information included in this prospectus has been extracted without any substantial changes from the company audited financial statements, which have been prepared in accordance with international accounting standards in this regard.
2. The Company has sufficient financial resources to meet working capital requirements for the next twelve (12) months as of the date of this prospectus.
3. Financial information in this prospectus is presented in a manner consistent with followed practice for the Company financial statements.
4. There has been no substantial negative change in the Company financial and commercial positions during the last three years and until the date of this prospectus.

6 - 3 Organization and Principal Activities

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010G. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010G.

The Company was licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia by Royal Decree # 72/M dated 28 Shawwal 1429H (corresponding to 29 October 2008G), pursuant to Council of Ministers resolution # 313 dated 27 Shawwal 1429H (corresponding to 28 October 2008G). On 10 Muharram 1431H (corresponding to 27 December 2009G), the Ministry of Commerce and Industry issued an announcement declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010G), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval for the Company to transact insurance business.

The Company launched its insurance operations on 19 Rajab 1431H. (1 July 2010G) after receipt of an authorization from SAMA to commence insurance operations as product approval and related formalities were completed.

6 - 4 Summary of Important Accounting Policies

The attached financial statements have been prepared in accordance with international standards for financial reporting. The following is a summary of important financial policies followed by the Company.

The basis of preparing financial statements:

The accompanying financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "available for sale investments".

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an uncertain future event adversely affects the policyholder. 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 an "insurance contract", it remains an insurance contract for the remainder of its lifetime, even if the insurance risk becomes significantly reduced during this period, unless all rights and obligations are extinguished or expired.

Premiums earned and commission income

Premiums are taken into income, and recorded in the statement of insurance comprehensive operations, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums 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 premiums 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 as of 1 January 2013G. As only the calculation for deferring the premiums has been amended, this has been treated as a change in accounting estimate. This change in calculation is expected to have minimal impact on the net earned premiums 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.

Premiums and reinsurance balances receivable

Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance comprehensive operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of current reporting period and settlements and provisions in the following year is included in the statement of comprehensive insurance operations.

Claims

Claims consist of amounts payable to contract holders and third parties, and related loss adjustment expenses, net of salvage and other recoveries, and are charged to the statement of comprehensive insurance 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 at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. 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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized over their useful economic life, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Fair value measurement

The Company measures financial instruments, such as investments available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 market 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 recognized 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 set out above. The Company's management determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities net of related deferred policy acquisition costs using current estimates of future cash flows under insurance 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 insurance comprehensive operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy test, captioned as premium deficiency reserve.

Unearned commission income

Commission income on outwards reinsurance contracts are deferred, and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of insurance comprehensive operations.

Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company, which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest is included under statutory deposit and accrued expenses and other liabilities.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment, if any, is recognized in the statement of insurance comprehensive operations.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Property and equipment

Saudi Monetary Agency (SAMA) instructions or implementation manual makes no reference to depreciation rates. International accounting standards are used in this regard.

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight-line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any 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. Expenditure for repairs and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Changes in the estimated useful life or in the expected future financial benefit of the asset are calculated by adjusting the amortization period. This shall be considered as a change in accounting estimates.

A review shall be carried out to verify if there is a reduction in value at time of each financial reporting or more whenever there is indication of such reduction. If the recoverable value is less than book value, the reduction shall be recognized in the statement of comprehensive insurance operations. Deferred policy acquisition costs shall be taken into consideration when conducting the liabilities adequacy test in each financial reporting period.

The estimated useful lives of property and equipment for the calculation of depreciation are as follows:

Table 6.1: estimated useful life for equipment and properties for calculating depreciation

item	Useful life
Leasehold improvements	10 years
Furniture, fixtures and office equipment	7-10 years
Computer equipment and software	4 years
Motor vehicles	4 years

Source: audited financial statements

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. For marine insurance, such costs are deferred on the same basis as premiums are earned. Amortization is recorded in the statement of comprehensive insurance operations.

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.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Provisions

Provisions are recognised 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.

Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents consist of cash at hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

Special commission income

Special commission income is recognized on an effective yield basis.

Statutory reserve

In accordance with its by-laws, the Company transfers 20% of its net annual income to the statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the years 2011G, 2012G, and 2013G.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of insurance or shareholders comprehensive operations.

Offsetting

Financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized 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 period generally established by regulation or convention in the market place.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of operations;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on products and services and has five reportable operating segments as follows:

- Motor vehicle insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care coverage to policyholders.
- Property insurance which provides coverage against fire, and any other insurance included under this class of insurance.
- General Accident and liability insurance which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance, and insures the interest of employers under Fidelity Guarantee, and affords cover for loss or damage under Money, and certain public liability insurances.
- Engineering insurance, which provides companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Marine insurance, which provides cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events during travel and transit.

Shareholders' Funds is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss, which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating 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 operating segments, which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Investments

All investments are initially recognized at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are 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 without any deduction for transaction costs.

a) Available for sale investments ("AFS")

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealized gains and losses are recognized directly in equity (through other comprehensive income) captioned under 'change in fair values of available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of shareholders' comprehensive income. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognized in the statement of shareholders' comprehensive income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of insurance or shareholders' comprehensive operations.

b) Held to maturity investments ("HTM")

Held to maturity investments are non-derivative financial assets, which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortized cost adjusted by the amount of amortization of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognized in the statement of insurance operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

Changes in accounting policies and new standards and amendments issued

The Company applied, for the first time, certain standards and amendments during the year ended 31 December 2013G. These include IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. This has resulted in changes to presentation and additional disclosures in the financial statements.

Changes in accounting policies (new and amended standards and interpretations)

Several other amendments were applied for the first time in 2013G. However, they did not impact the financial statements of the Company. The nature and the impact of each new standards and amendments with a significant impact on the Company's financial statements is described below:

• 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 12.

• IAS 1 Presentation of Items of Other Comprehensive Income ("OCI") – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to statement of income at a future point in time (e.g., net loss or gain on available for sale 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 for comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2013G in the case of the Company), presented as a result of retrospective restatement, or reclassification of items in financial statements if any, does not have to be accompanied by comparative information in the related notes. As the Company has not restated any prior year figures there has been no impact on the Company's financial statements.

Standards and interpretations issued but not yet effective

The 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.

- **IFRS 9 Financial Instruments**

On 19 November 2013G, 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 (2013G)) 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 (2013G) 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.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments are effective for annual periods beginning on or after 1 January 2014G and 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. It is not expected that this amendment would be relevant to the Company, since none of the entities in the Company would qualify to be an investment entity under IFRS 10.

- **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 2014G. These amendments are not expected to be relevant to the Company.

- **IFRIC Interpretation 21 Levies (IFRIC 21)**

IFRIC 21 clarifies that an entity recognizes 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. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014G. The Company does not expect that IFRIC 21 will have material financial impact in future 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. These amendments are effective for annual periods beginning on or after 1 January 2014G. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

6 - 5 results of operations

Statement of income

Statement of insurance operations income

Table 6.2: statement of insurance operations

SAR'000	2011 audited	2012 audited	2013 audited	2013 June 30	2014 June 30 (un audited)
Gross written premiums	103,803	233,54	279,284	un) (audited	June 2014 30
Reinsurance premiums ceded (including excess of loss expenses)	-38,513	(56,857)	(80,546)	un) (audited	31,458))
Net premiums written	65.29	176,683	198,738	102,327	179,065
Movement in earned premiums, net	24,258))	37,792))	26,477))	15,324))	64,628))
Earned premiums, net	41,032	138,891	172,261	87,003	114,437
Earned reinsurance commission	9,832	11,442	14,145	6,174	5,876
Policy fees	2,521	2,639	6,513	2,214	4,581

SAR'000	2011 audited	2012 audited	2013 audited	2013 June 30	2014 June 30 (un audited)
Total revenues	53,385	152,972	192,919	95,391	124,894
Gross claims paid	52,428))	106,411))	130,216))	67,319))	77,18))
Reinsurance share of claims paid	28,484	8,257	22,163	9,795	8,819
Movement in outstanding claims, net	687))	20,333))	8,292))	1,465	7,823))
Movement in other reserves	2,445))	208))	2.15))	1,083))	4,658))
Net claims incurred	27,076))	118,695))	118,495))	57,142))	80,842))
incurred policy acquisition costs	8,844))	20,681))	22,855))	10,805))	13,653))
Inspection and supervision fees	478))	1,337))	2,251))	1,274))	1.61))
Other underwriting expenses	-	1,079))	5,297))	1,934))	3,755))
Total underwriting costs	36,398))	141,792))	148,898))	71,155))	99,86))
Net underwriting surplus	16,987	11.18	44,021	24,236	25,034
General and administrative expenses	27,881))	31,836))	37,809))	18,802))	18,919))
(Reversal of) allowance for doubtful debts	2,596))	2,278	50))	1,733))	4,865))
Special commission income	65	655	1,268	607	881
Realized profit (loss) from investments	-	-	(99)	(36)	1,355
Gain (loss) on disposal of property and equipment	35	-	-	(1)	18
Surplus (deficit) from insurance operations	(13.39)	(17,723)	7,331	4,271	3,504
(Surplus) deficit transferred to shareholders' operations	13.39	17,723	(6,598)	(3,844)	(3,153)
Net result	-	-	733	427	351

Source: audited financial statements for years 2011G, 2012G, and 2013G and unaudited financial statements for first half of 2013G and 2014G

Table 6.3: key performance ratios and indicators

Key performance ratios and indicators	2011 audited	2012 audited	2013 audited	2013 June 30 (un audited)	2014 June 30 (un audited)
Retention ratio	62.90%	75.70%	71.20%	68.20%	85.10%
Net loss ratio	66.00%	85.50%	68.80%	65.70%	70.60%
Expenses ratio	66.60%	27.30%	27.00%	29.40%	26.30%
Combined ratio	132.60%	112.80%	95.80%	95.10%	96.90%
Incurred commission expenses as ratio of gross written premiums	8.50%	8.80%	8.20%	7.20%	6.50%
Earned reinsurance commission as ratio of ceded premiums	25.50%	20.10%	32.90%	12.90%	18.70%
Net underwriting surplus as ratio of net earned insurance	41.40%	8.00%	25.60%	27.80%	21.90%
Insurance operations surplus/deficit as ratio of net earned insurance premium	(32.60%)	(12.80%)	4.30%	4.90%	3.10%

Source: management analysis

The Company started its operations on 01 July 2010G, and thus year 2011G was the first full operation year for the Company. During the third operational year 2013G, The Company managed to achieve SAR 7.2 million Riyals as surplus in its insurance operations, after it incurred a deficit in insurance operations during the years 2011G and 2012G equal to 13.4 million Riyals and 17.7 million Riyals respectively. The surplus in insurance operations during 2013G is due to Company concentration on low risk activities such as health insurance for individuals and comprehensive motor vehicle insurance for groups. The deficit in insurance operations in 2011G was due to insufficient size of insurance portfolio or written premiums necessary to cover incurred liabilities and both general and administrative expenditures. However, the deficit in insurance operations in 2012G was due to incurred losses in motor vehicle insurance as a result of high technical provisions recommended by the actuarial expert in accordance with the implementation manual of Cooperative Insurance Companies Control Law.

During 2011G total written premiums was SAR 103.8 million Riyals, and was 233.5 million Riyals in 2012G, an increase of 125%. This increase was due to a 344% increase in Mandatory motor vehicle insurance for individuals, and the opening of more direct points of sale. Growth in written premiums continued in 2013G, and reached SAR 279.3 million Riyals, an increase of 19.6% due to expansion in individual health insurance operations and increased number of operating points of sale.

Total written premiums during the first six months of 2014G was SAR 210.5 million Riyals compared with SAR 150.1 million Riyals for the same period of previous year, an increase of 40.2%. This increase was due to 142.4% increase in Mandatory motor vehicle insurance sales and 9.7% increase in health insurance sales compared to the same period of previous year.

It is worthwhile to mention that in 2013G the management conducted a review of its strategy and concentrated its efforts on the most profitable insurance portfolios, which are comprehensive motor vehicle insurance, and individual health insurance. The Company was able to raise prices of these products in a well-balanced manner so as not to impact its competitiveness and in line with the actuarial expert report. The Company also adjusted some product prices in accordance with associated risks. These measures led to a three times increase (294%, about SAR 32.8 million Riyals) in net underwriting surplus in year 2013G (underwriting surplus for year 2012G was 11.18 million Riyals and in 2013G was SAR 44.02 million Riyals) sufficient to generate a net surplus in insurance operations during 2013G (SAR 7.2 million Riyals in 2013G and – SAR 17.7 million Riyals in 2012G).

In line with the growth in the Company insurance portfolio and increase in written premiums, the total paid claims in 2012G increased to SAR 106.4 million Riyals compared to SAR 52.4 million Riyals in 2011G, an increase of 103.1%. This was due to an increase of 316.4% in total incurred motor vehicle insurance claims, which resulted from increasing technical provisions especially the reserve for unreported incurred claims based on estimates approved by the actuarial expert. The increase in total paid claims continued in 2013G, and reached SAR 130.2 million Riyals (an increase of 22.4%) due to the increase in total paid claims for property insurance and health insurance.

Total paid claims during the first six months of 2014G reached 77.1 million Riyals compared to 67.2 million Riyals for the same period of the previous year, an increase of 14.6%. The reason was an increase of 14.8% in total paid claims for motor vehicle insurance compared to the same period of previous year and an increase of 198.3% in health insurance paid claims.

During the year 2011G the Company incurred a deficit in insurance operations equal to SAR 13.4 million Riyals, the reason was the completed growth of insurance portfolio and the insufficient size of written premiums for covering Company general and administrative expenditures. The deficit in insurance operations during the year 2012G increased 32.1% to SAR 17.7 million Riyals due to realized losses in motor vehicle insurance as a result of increased technical provisions recommended by the Company actuarial expert in line with implementation manual requirements. In year 2013G, the Company made a surplus in insurance operations equal to SAR 7.3 million Riyals. This surplus was attributed to an intended decrease of 25.2% in Mandatory motor vehicle insurance compared to 2012G and the adoption of balanced pricing policy based on monitoring and analysis of performance and profitability of sales all over the Kingdom for this type of insurance in addition to the realized surplus in health insurance operations.

Insurance operations surplus during the first six months of 2014G was 3.5 million Riyals compared to 4.3 million Riyals for the same period of previous year, a decrease of 18%, the reason was an increase of 44.3% in net incurred motor vehicle insurance claims compared to the same period of previous year, and thus the net motor vehicle insurance underwriting surplus decreased 86.5% along with 239.1% increase in health insurance underwriting surplus.

It is worthwhile to mention that on 21/12/1435H. (15/10/2014G) the Company received letter # 1593/3531 from the Council of Cooperative Health Insurance to discontinue the authority to issue individual insurance policies on the cooperative health insurance national network system as of 15/!0/2014G until the Company takes necessary corrective action and undertakes to implement the cooperative health insurance correctly. Such discontinuation will have negative impact on Company sales, which are expected to decrease during the fourth quarter of year 2014G and until necessary corrective action is taken and the Company is reauthorized to issue individual insurance policies on the cooperative health insurance national network system.

It should be mentioned that this discontinuation issued by the Council of Cooperative Health Insurance does not mean withdrawing license from the Company. It is limited only to the discontinuation of individual insurance policy issuing, and does not cover the issuing of health insurance for groups.

Statement of shareholders operations

Table 6.4: shareholders income statement

SAR'000	2011 audited	2012 audited	2013 audited	2013 June 30 (un audited)	2014 June 30 (un audited)
Surplus (deficit) transferred from insurance operations	(13.39)	(17,723)	6,598	3,844	3,153

SAR'000	2011 audited	2012 audited	2013 audited	2013 June 30 (un audited)	2014 June 30 (un audited)
General and administrative expenses	(2,065)	(2,417)	(2,191)	(1,052)	(1,051)
Special commission income	1,404	1,516	1,423	758	647
Realized gain from investments	27	841	1,613	1,159	574
Income (loss) before zakat	(14,025)	(17,783)	7,443	4,709	3,323
Zakat	(1.75)	(1,217)	(2,406)	(1,507)	(1.1)
Net income (loss) for the year/period	(15,775)	(19)	5,037	3,202	2,223
Shareholders key performance indicators					
General and administrative expenses as a ratio of total written premiums	2.00%	1.00%	0.80%	0.70%	0.50%
Loss or income as a ratio of total written premiums	(15.20%)	(8.30%)	1.80%	2.10%	1.10%

Source: audited financial statements for years 2011G, 2012G, and 2013G and unaudited financial statements for first half of 2013G and 2014G and management analysis

In accordance with cooperative insurance law and its implementation manual, the statement of insurance operations income carries all the deficit incurred from insurance operations and 90% of surplus realized from insurance operations. In the light of this the shareholders income statement carried the losses of years 2011G and 2012G amounting to SAR 13.4 million Riyals and SAR 17.7 million Riyals respectively. However, profits equal to 6.6 million Riyals were realized during 2013G. Profits transferred from insurance operations during the first six months of 2014G were 3.2 million Riyals compared with 3.8 million Riyals for the same period of previous year, a decrease of 18%; the reason was reduced net underwriting surplus from insurance operations.

General and administrative expenditures of shareholders operations remained in general constant during the three years 2011G, 2012G, and 2013G and first half of 2013G and 2014G, with a slightly decreasing tendency due to the reduction of members of board of directors in 2013G from 12 to 7, and thus incurred expenses and paid compensation were less without any change in the amount of individual compensation.

Revenues from special commissions (include commissions from deposits, and returns on bonds and sukuks) remained generally constant during the three years 2011G ,2012G, and 2013G and first half of 2013G and 2014G with slight increases or decreases resulting from change in profit margins on deposits. However, the realized profits from the sale of available for sale investments increased significantly during years 2012G and 2013G due to the sale of a number of bonds and sukuks from the investment portfolio at market prices higher than book value. The decrease in realized profits during the first half of year 2014G compared with the first half of 2013G was due to the decreased number of sold bonds or sukuks because their market values were less than their book value. The idea was to avoid losses and wait improved market prices while receiving fixed returns on these instruments.

The Company confirms that with the exception of what is mentioned in the foregoing paragraph there are no properties including paper securities or other assets the value of which may fluctuate or is hard to ascertain and thus may significantly affect the financial position evaluation.

Reason for the net loss of 15.8 million Riyals during year 2011G was the insufficient size of Company insurance portfolio and its inability to cover fixed expenditures it incurred to build the infrastructure necessary to carry out its operations. The reason for the net loss during the year 2012G was the increase in net incurred claims (338.1%) which was due to motor vehicle insurance segment, which incurred a deficit in insurance operations. This has prompted the Company during 2012G to change its underwriting policies and pricing especially for the Mandatory motor vehicle insurance. Prices were raised and analysis of the profitability of each point of sale was conducted. Sales efforts were concentrated in the most profitable areas and some losing points of sale were closed, and thus the Company realized a profit of 5 million Riyals by the end of year 2013G.

The reason for the 30.6% decrease in net profit for the first half of 2014G compared with the same period of previous year was the 18% decrease in insurance operations surplus, which was due to decreased profits from motor vehicle insurance as a result of increased net incurred claims.

Zakat

The Company submitted an appeal with respect to the Department of Zakat, Income and Tax (DZIT) demand that the Company pay extra amounts resulting from differences in zakat assessment. Some of the differences were due to the fact that the Company follows international standards IFRS while DZIT follows the standards issued by the Saudi Organization for Chartered Public Accountants (SOCPA) when assessing zakat (companies are still required to assess zakat based on SOCPA standards).

Based on the above, the Professional Care Consultant found risks related to the negative zakat base for year 2013G as DZIT may demand payment of higher amount than paid amount. This is because the Company has assessed zakat based on statement of financial position without adding adjustments as required by DZIT, which made the zakat base negative. DZIT demands that zakat be assessed based on net adjusted profit (about 11.8 million Riyals). Therefore, there is a risk that the Company may have to pay the difference of 297,000 Riyals to DZIT.

The following table shows items of disagreement. DZIT demands that the Company add these items to zakat base. Company appeal has not been resolved yet with respect to zakat for the years 2011G, 2012G, and 2013G.

Table 6.5: items disputed between DZIT and Company

SAR Million	2011	2012	2013
Solvency margin	87	87	87
Statutory deposit	13	13	13
Investments	0,986	8.7	15.4

Source: professional care report

Company appeal may be based on sound basis (especially with respect to discounting statutory deposit and investment in shares of Saudi companies). However, there is a risk that the discounting of solvency margin from zakat base as demanded by Buruj may be added to zakat base by DZIT, which will result in additional zakat due on the Company as in the table below (assuming that investment in shares of Saudi companies and the statutory deposit are discounted from zakat base).

Table 6.6: additional zakat if solvency margin disputed between Company and DZIT is added

Million Saudi Riyals	2011	2012	2013
Additional accrued zakat	2.1	1.4	1.4

Source: professional care report

If Company appeal is rejected and all items are added, the maximum additional zakat on the Company will be as follows:

Table 6.7: additional zakat if items disputed by the Company and DZIT, are added

Million Saudi Riyals	2011	2012	2013
Additional accrued zakat	2.4	1.9	2.1

Source: professional care report

Additional zakat in the above two tables mean zakat difference in comparison with zakat declarations submitted by the Company, not zakat provisions shown in the financial statements for years 2011G, 2012G, and 2013G as these provisions cover the additional zakat differences.

It is worthwhile to mention that DZIT may demand that the Company pay some amounts in relation to transactions with related parties. However, management thinks such risks are low due to several reasons: a) related parties are Saudi entities b) DZIT did not raise any concerns regarding such transactions during the years 2011G, 2012G and 2013G when it reviewed Buruj zakat c) adequacy of zakat provision the Company has set aside for years 2011G, 2012G and 2013G as follows:

Table 6.8: zakat provision for years 2011G, 2012G and 2013G

Million Saudi Riyals	2011	2012	2013
Zakat provision	5.8	7	7.3

Source: professional care report

This provision is sufficient to cover all Company obligations that may arise in the future with respect to zakat assessment as shown above. If DZIT demands payment of differences, such payment will affect the Company cash flow.

It is worthwhile to mention that withholding tax applies to reinsurance premiums (5% of reinsurance premiums ceded outside the Kingdom of Saudi Arabia). Professional care consultant made no mention of any other items subject to withholding tax other than those mentioned in this paragraph.

Statement of insurance operations income by operational segments

Table 6.9: statement of insurance operations income by operational segments for 2011G

One thousand Saud Riyal	Vehicle insurance	Property Insurance	marine insurance	other insurance	total
Gross written premiums	59,747	11,602	19,642	12,812	103,803
Reinsurance premiums ceded	(1,337)	(10,743)	(13,465)	(10,617)	(36,162)

One thousand Saud Riyal	Vehicle insurance	Property Insurance	marine insurance	other insurance	total
Excess of loss premiums	(1,228)	(239)	(789)	(95)	(2,351)
Net premiums written	57,182	620	5,388	2.1	65.29
Movement in unearned premiums, net	(22,902)	(96)	(628)	(632)	(24,258)
Net premiums earned	34.28	524	4.76	1,468	41,032
Reinsurance commission income	187	2,187	5,386	2,072	9,832
Policy fees	2,271	12	225	13	2,521
Total revenues	36,738	2,723	10,371	3,553	53,385
Net paid claims	(22,446)	(658)	(536)	(304)	(23,944)
Movement in outstanding claims, net	(1,303)	299	335	(18)	(687)
Movement in other reserves, net	(2,345)	(100)	-	-	(2,445)
Net claims incurred	(26,094)	(459)	(201)	(322)	(27,076)
Policy acquisition costs	(5,636)	(1,022)	(1,469)	(717)	(8,844)
Inspection and supervision fees	(294)	(41)	(88)	(55)	(478)
Total underwriting costs	(32,024)	(1,522)	(1,758)	(1,094)	(36,398)
Net underwriting surplus	4,714	1,201	8,613	2,459	16,987
Key performance indicators					
Retention ratio	95.70%	5.30%	27.40%	16.40%	62.90%
Loss ratio, net	76.10%	87.60%	4.20%	21.90%	66.00%
Commission incurred as percentage of total written premiums	9.40%	8.80%	7.50%	5.60%	8.50%
Earned reinsurance commission as percentage of ceded premiums (without excess of loss)	14.00%	20.40%	40%	19.50%	27.20%
Net underwriting surplus as percentage of total written premiums	7.90%	10.30%	43.80%	19.20%	16.40%

Source: audited financial statements for years 2011G, 2012G, 2013G and unaudited financial statements for first half of years 2013G and 2014G and management analysis

There are no data for the health insurance sector as the Company started health insurance on 1 Jan. 2012G

Table 6.10: statement of insurance operations income by operational segments for 2012G

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Gross written premiums	167,347	21,393	13,561	19,609	11.63	233,54
Reinsurance premiums ceded	(1,041)	(11,324)	(12,516)	(13,48)	(9,668)	(48,029)
Excess of loss premiums	(7,845)	-	(164)	(733)	(86)	(8,828)
Net premiums written	158,461	10,069	881	5,396	1,876	176,683
Movement in unearned premiums, net	(30,764)	(7,199)	(79)	312	(62)	(37,792)
Net premiums earned	127,697	2.87	802	5,708	1,814	138,891
Reinsurance commission income	(7)	-	2,714	6,645	2.09	11,442
Policy fees	2,392	-	12	221	14	2,639
Total revenues	130,082	2.7	3,528	12,574	3,918	152,972
Net paid claims	(96,595)	(70)	(112)	(978)	(399)	(98,154)

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Movement in outstanding claims, net	(16,317)	(753)	(357)	(3,205)	299	(20,333)
Movement in other reserves, net	(208)	-	-	-	-	(208)
Net claims incurred	(113,12)	(823)	(469)	(4,183)	(100)	(118,695)
Policy acquisition costs	(16,467)	(463)	(1,283)	(1,679)	(789)	(20,681)
Inspection and supervision fees	(831)	(321)	(45)	(90)	(50)	(1,337)
Administrative third party fees	-	(422)	-	-	-	(422)
Other underwriting expenses	(619)	-	(38)	-	-	(657)
Total underwriting costs	(131,037)	(2,029)	(1,835)	(5,952)	(939)	(141,792)
Net underwriting surplus	(955)	841	1,693	6,622	2,979	11.18
Key performance indicators						
Retention ratio	94.70%	47.10%	6.50%	27.50%	16.10%	75.60%
Loss ratio, net	88.60%	28.70%	58.50%	73.30%	5.50%	85.50%
Commission incurred as percentage of total written premiums	9.80%	2.20%	9.50%	8.60%	6.80%	8.80%
Earned reinsurance commission as percentage of ceded premiums (without excess of loss)	(0.60%)	-	21.70%	49.30%	21.60%	23.80%
Net underwriting surplus as percentage of total written premiums	(0.60%)	3.90%	12.50%	33.80%	25.60%	4.80%

Source: audited financial statements for years 2011G, 2012G, 2013G and unaudited financial statements for first half of years 2013G and 2014G and management analysis

Table 6.11: statement of insurance operations income by operational segments for 2013G

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Gross written premiums	137,559	92,591	19,797	17,661	11,676	279,284
Reinsurance premiums ceded	(1,124)	(33,023)	(18,467)	(12,615)	(10,271)	(75.5)
Excess of loss premiums	(3,829)	-	(111)	(925)	(181)	(5,046)
Net premiums written	132,606	59,568	1,219	4,121	1,224	198,738
Movement in unearned premiums, net	(6,544)	(20,503)	(66)	168	468	(26,477)
Net premiums earned	126,062	39,065	1,153	4,289	1,692	172,261
Reinsurance commission income	84	2.68	3,932	4,607	2,842	14,145
Policy fees	6,301	-	15	185	12	6,514
Total revenues	132,447	41,745	5.1	9,081	4,546	192,919
Net paid claims	(102,44)	(2,813)	(1,354)	(1,092)	(354)	(108,053)
Movement in outstanding claims, net	(3,795)	(4,955)	(580)	1,646	(608)	(8,292)
Movement in other reserves, net	(2.15)	-	-	-	-	(2.15)
Net claims incurred	(108,385)	(7,767)	(1,934)	553	(962)	(118,495)
Policy acquisition costs	(11,935)	(6,639)	(1,779)	(1,307)	(1,194)	(22,854)
Inspection and supervision fees	(680)	(1,389)	(55)	(81)	(46)	(2,251)
Administrative third party fees	-	(4,162)	-	-	-	(4,162)

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Other underwriting expenses	(866)	(135)	(134)	-	-	(1,135)
Total underwriting costs	(121,866)	(20,093)	(3,902)	(835)	(2,202)	(148,898)
Net underwriting surplus	10,581	21,652	1,198	8,246	2,344	44,021
Key performance indicators						
Retention ratio	96.40%	64.30%	6.10%	23.30%	10.50%	71.20%
Loss ratio, net	86.00%	19.90%	167.70%	(12.90%)	56.80%	68.80%
Commission incurred as percentage of total written premiums	8.70%	7.20%	9.00%	7.40%	10.20%	8.20%
Earned reinsurance commission as percentage of ceded premiums (without excess of loss)	7.50%	8.10%	21.30%	36.50%	27.70%	18.70%
Net underwriting surplus as percentage of total written premiums	7.70%	23.40%	6.10%	46.70%	20.10%	15.80%

Source: audited financial statements for years 2011G, 2012G, 2013G and unaudited financial statements for first half of years 2013G and 2014G and management analysis

Table 6.12: statement of insurance operations income by operational segments for period ending on 30 June 2014G

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Gross written premiums	113,962	61,241	16,891	9,785	8,644	210,523
Reinsurance premiums ceded	150)	-	(15,547)	(6,702)	(6,536)	(28.8)
Excess of loss premiums	(1,501)	(440)	(96)	(443)	(178)	(2,658)
Net premiums written	112,446	60,801	1,248	2.64	1.93	179,065
Movement in unearned premiums, net	(31,026)	(31,799)	(517)	(328)	(958)	(64,628)
Net premiums earned	81.42	29,002	731	2,312	972	114,437
Reinsurance commission income	41	-	2,391	1,992	1,452	5,876
Policy fees	4,419	-	20	129	13	4,581
Total revenues	85.88	29,002	3,142	4,433	2,437	124,894
Net paid claims	(64,567)	(3,013)	(264)	(302)	(215)	(68,361)
Movement in outstanding claims, net	(6,627)	(210)	(206)	(502)	(278)	(7,823)
Movement in other reserves, net	(4,658)	-	-	-	-	(4,658)
Net claims incurred	(75,852)	(3,223)	(470)	(804)	(493)	(80,842)
Policy acquisition costs	(7,146)	(4,006)	(1,338)	(528)	(635)	(13,653)
Inspection and supervision fees	(568)	(919)	(42)	(44)	(37)	(1,61)
Administrative third party fees	-	(2,993)	-	-	-	(2,993)
Other underwriting expenses	(632)	(45)	(85)	-	-	(762)
Total underwriting costs	(84,198)	(11,186)	(1,935)	(1,376)	(1,165)	(99,86)
Net underwriting surplus	1,682	17,816	1,207	3,057	1,272	25,034
Key performance indicators						

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Retention ratio	98.70%	99.30%	7.40%	27.00%	22.30%	85.10%
Loss ratio, net	93.20%	11.10%	64.30%	34.80%	50.70%	70.60%
Commission incurred as percentage of total written premiums	6.30%	6.50%	7.90%	5.40%	7.30%	6.50%
Earned reinsurance commission as percentage of ceded premiums (without excess of loss)	273.30%	-	15.40%	29.70%	22.20%	20.40%
Net underwriting surplus as percentage of total written premiums	1.50%	29.10%	7.10%	31.20%	14.70%	11.90%

Source: unaudited financial statements for first half of year 2014G and management analysis

Table 6.13: statement of insurance operations income by operational segments for period ending on 30 June 2013G

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Gross written premiums	65,051	55,828	12,623	10,595	6,003	150.1
Reinsurance premiums ceded	(63)	(21.69)	(11,662)	(7,469)	(5.19)	(46,074)
Excess of loss premiums	1,238)	-	(55)	(366)	(40)	(1,699)
Net premiums written	63.75	34,138	906	2.76	773	102,327
Movement in unearned premiums, net	6,278	(21,442)	(380)	29	191	(15,324)
Net premiums earned	70,028	12,696	526	2,789	964	87,003
Reinsurance commission income	44	-	1.92	2,791	1,419	6,174
Policy fees	2091	-	9	108	6	2,214
Total revenues	72,163	12,696	2,455	5,688	2,389	95,391
Net paid claims	(55,477)	(727)	(411)	(630)	(279)	(57,524)
Movement in outstanding claims, net	3,184	(2,279)	(945)	1,693	(188)	1,465
Movement in other reserves, net	(282)	-	(737)	-	(64)	(1,083)
Net claims incurred	(52,575)	(3,006)	(2,093)	1,063	(531)	(57,142)
Policy acquisition costs	(6,469)	(2,06)	(852)	(808)	(616)	10,8050)
Inspection and supervision fees	(325)	(837)	(36)	(49)	(27)	(1,274)
Administrative third party fees	-	(1,494)	-	-	-	(1,494)
Other underwriting expenses	(343)	(45)	(52)	-	-	(440)
Total underwriting costs	(59,712)	(7,442)	(3,033)	206	(1,174)	(71,155)
Net underwriting surplus	12,451	5,254	(578)	5,894	1,215	24,236
Key performance indicators						
Retention ratio	98.00%	61.10%	7.20%	26.10%	12.80%	68.20%
Loss ratio, net	75.10%	23.70%	397.90%	(38.10%)	55.10%	65.70%
Commission incurred as percentage of total written premiums	9.90%	3.70%	6.70%	7.60%	10.30%	7.20%
Earned reinsurance commission as percentage of ceded premiums (without excess of loss)	69.80%	-	16.50%	37.40%	27.30%	13.40%

One thousand Saud Riyal	Vehicle insurance	Health Insurance	Property insurance	Marine insurance	Other insurance	Total
Net underwriting surplus as percentage of total written premiums	19.10%	9.40%	(4.60%)	55.60%	20.20%	16.10%

Source: unaudited financial statements for first half of 2013G and management analysis

The Company insurance portfolio realized an underwriting surplus during the period of from 2011G to 2013G and during the first half of 2014. Net underwriting surplus for year 2011G was approximately 17 million Riyal, which is equal to 16.4% of total written premiums. This surplus was due to underwriting surplus from marine insurance (50.7% of total surplus) and vehicle insurance surplus (27.8% of total surplus). It is worthwhile to mention that marine insurance margin is generally high compared to other types. This is due to the nature of commission structure, which is higher compared to other types of insurance as it includes profit commissions from reinsurance operations. During 2012G net underwriting surplus was 11.2 million Riyal, which constitutes 4.8% of total written premiums. The main reason for this decrease compared to year 2011G was the realized deficit in vehicle insurance operations due to the increase in net incurred claims, which resulted from the increase in the reserve for unreported incurred claims adopted by the Company on the recommendation of actuarial expert and from premium deficit reserve resulting from inadequate vehicle insurance pricing. Underwriting surplus from marine insurance in 2012G continued its role as the main contributor to the underwriting surplus from insurance operations, and accounted for 59.2% of the total surplus. However, the Company policy to concentrate on health insurance and vehicle insurance for individuals during the period 2011G – 2013G reduced marine insurance portion.

In 2013G, net underwriting surplus was 44 million Riyal, equal to 15.8% of total written premiums. The reason for this surplus was the underwriting surplus from health insurance (49.2% of total surplus) and vehicle insurance surplus (24% of total surplus), (both constituted 73.2% of total underwriting surplus). Main reason for the surplus in health insurance operations was the reduced rate of loss in this segment where the Mandatory individual health insurance contributes more than 90% of total health insurance premiums. Main reason for the improved results of vehicle insurance operations during 2013G compared to 2012G was the Company adoption in coordination with the actuarial expert of a balanced pricing policy for Mandatory vehicle insurance and the effective monitoring of performance and profitability of Company points of sale in addition to reduced written insurance premiums for this product compared to year 2012G.

It is worthwhile to mention that in year 2013G the management reviewed its strategy, and concentrated on the more profitable insurance portfolios which are comprehensive motor vehicle insurance and individual health insurance. The Company managed to raise prices of these products in a balanced manner, which did not affect its competitiveness in line with the actuarial expert report on the pricing of vehicle insurance product and health insurance product based on legal requirements. The Company adjusted the prices of some products in accordance with associated risks. These measures led to 3 times increase (294%, about 32.8 million Riyal) in net underwriting surplus in 2013G (underwriting surplus for 2012G was 11.18 million Riyal and 44.02 million Riyal for 2013G) sufficient to achieve net surplus in insurance operations for 2013G (7.3 million Riyal in 2013G and – 17.7 million Riyal in 2012G).

The management considers a policy renewed if renewed immediately at time of expiry. Renewed policies accounted for 33% of total written premiums during the period from 2011G to 2013G. Marine insurance, other types, and property insurance benefited from high policy renewal level during that period (in year 2013G about 100%, 90%, and 69% of total written premiums respectively). These activities combined accounted for 27% of underwriting surplus for year 2013G. It is worthwhile to mention that retail segment activities (vehicle insurance and health insurance) have lower renewal rates because they are subject to high pricing competitions and the tendency of insured to seek lowest market prices, which has negatively affected the rate of renewal for the Company in general.

In the first half of 2014, net underwriting surplus was 25 million Riyal, equal to 11.9% of total written premiums. The reason for this surplus was underwriting surplus from health insurance, which accounted for 71.2% of total surplus. The main reason for the increased ratio compared with 2013G was the decreased loss rate in this segment and increased insurance premiums. However, the profitability of vehicle insurance segment decreased significantly during this period, and vehicle insurance surplus during the first half of 2014 constituted 6.7% of total surplus, and the main reason was the increased loss rate in this segment due to increased net incurred claims.

During the first half of 2013G, underwriting surplus was 24.2 million Riyal, equal to 16.1% of total written premiums, and vehicle insurance surplus accounted for 51.4% of total surplus, and marine insurance accounted for 24.3% of total surplus.

Total written premiums

Total written premiums are collected or collectible insurance premiums by the insurance company, prior to deduction of the reinsurance cost or the value of unearned premium reserve (applicable risk reserve).

Table 6.14: total written premiums by operational segment

One thousand Saudi riyal	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	59,747	167,347	137,559	65,051	113,962
Health insurance	-	21,393	92,591	55,828	61,241
Property insurance	11,602	13,561	19,797	12,623	16,891
Marine insurance	19,642	19,609	17,661	10,595	9,785
Engineering insurance	6,817	6,508	6,772	2,765	3,058
General accident and liability insurance	4,009	3,861	4.8	3,238	4,299
Other insurance	1,986	1,261	104	-	1,287
Total	103,803	233,54	279,284	150,1	210,523

Source: SAMA report forms for Company

Total earned premiums are collected and accrued insurance premiums prior to deduction of cost of reinsurance, and after subtracting the difference between unearned premium reserve at end of period and unearned premium reserve at the beginning of period.

Table 6.15: Total earned premiums by operational segment

One thousand Saudi riyal	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	30,537	136,677	131,011	71,852	83,463
Health insurance	-	6,074	66,715	23,116	40,853
Property insurance	7,86	12,891	18,187	8,38	11,59
Marine insurance	17,348	20,985	17,729	9,725	8,229
Engineering insurance	3,266	5,075	7,065	3,587	3,966
Accident and general liability insurance	2,726	4,113	4,525	2,235	2,383
Other insurance	1,033	1,101	1,218	570	683
Total	62,77	186,916	246,45	119,465	151,167
Ratio of total written premiums	60.50%	80.00%	88.20%	79.60%	71.80%

Source: SAMA report forms for Company

In year 2011G vehicle insurance and marine insurance accounted for 57.6% and 18.9% respectively of total insurance written premiums. These two sectors contributed 48.6% and 27.6% respectively to total earned premiums. For vehicle insurance premiums, 53.2% was from comprehensive vehicle insurance and 46.8% from Mandatory third party vehicle insurance.

In 2012G vehicle insurance and health insurance accounted for 71.6% and 9.2% respectively of total written premiums. Vehicle insurance and marine insurance contributed 73.1% and 11.2% respectively to total earned insurance premiums. For vehicle insurance premiums, 29.5% was from comprehensive vehicle insurance and 70.5% from Mandatory third party vehicle insurance. For health insurance premiums, 21% was from group health insurance and 79% from individual Mandatory insurance.

In 2013G vehicle insurance and health insurance accounted for 49.2% and 33.2% respectively of total written insurance premiums (and together they accounted for 82.4% of total written premiums, which is close to the ratio of both segments in the Saudi insurance market, about 76%). These two sectors contributed 53.2% and 27.1% respectively to total earned insurance premiums for 2013G. The health sector was the biggest contributor to underwriting surplus for year 2013G, it accounted for 49%. Profit margin from health insurance underwriting improved in that year as the company directed its efforts towards individual health insurance instead of group health insurance. The latter has a lower profit margin. For vehicle insurance premiums, 35.4% was from comprehensive vehicle insurance and 64.6% from third party Mandatory vehicle insurance. Mandatory individual health insurance accounted for most health insurance premiums.

In year 2013G, property insurance accounted for about 7% of total written premiums and 1% of total earned premiums. However, it contributed about 3% of total underwriting surplus during that year. This was due to the structure of commissions for this type of insurance. The reason for the decrease in total written premiums for marine insurance in 2013G compared with 2011G and 2012G was the decrease in business and marine cargo for the insured in general.

In 2011G vehicle insurance and marine insurance accounted for 57.6% and 18.9% respectively of total written insurance premiums. These two sectors contributed 48.6% and 27.6% respectively to the total earned insurance premiums. For vehicle insurance premiums, 53.2% was from comprehensive vehicle insurance and 46.8% from Mandatory third party vehicle insurance.

In 2012G vehicle insurance and health insurance accounted for 71.6% and 9.2% respectively of total written insurance premiums. Vehicle insurance and marine insurance contributed 73.1% and 11.2% respectively to total earned insurance premiums. For vehicle insurance premiums, 29.5% was from comprehensive vehicle insurance and 70.5% from third party Mandatory vehicle insurance. For health insurance premiums, 21% was from group health insurance and 79% from individual Mandatory health insurance.

In the first half of 2014G, vehicle insurance and health insurance accounted for 54.1% and 29.1% respectively of total written insurance premiums compared with 60.1% and 19.3% during the same period of previous year 2013G. These two sectors contributed in the first half of 2014G 55.2% and 27% respectively to total earned insurance premiums compared with 60.1% and 19.3% in the same period of previous year 2013G. For vehicle insurance premiums during the first half of 2014, 40.3% was from comprehensive vehicle insurance and 59.7% from third party Mandatory vehicle insurance compared to 55.4% from comprehensive vehicle insurance and 44.6% from third party Mandatory vehicle insurance in the same period of previous year 2013G. Mandatory individual health insurance accounted for most health insurance premiums in the first half of both years 2014 and 2013G.

Table 6.16: total written premiums by channel

One thousand Saudi riyal	2011	2012	2013	2013 June 30	2014 June 30
Direct sales	90,925	213,065	136,216	77,287	129,106
Brokers/agents	12,878	20,475	143,068	72,813	81,417
Total	103,803	233,54	279,284	150,1	210,523
Ratio of total					
Direct sales	87.60%	91.20%	48.80%	51.50%	61.30%
Brokers/agents	12.40%	8.80%	51.20%	48.50%	38.70%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company

Table 6.17: total written premiums by area

One thousand Saudi Riyal	2011	2012	2013	2013 June 30	2014 June 30
Central area	59,151	174,433	135,817	88,184	84,657
Western area	30,112	42,122	88,198	81,945	37,458
Eastern area	14,54	16,985	29,042	21,046	18,392
Southern area	-	-	18,882	12,401	6,211
Northern area	-	-	7,345	6,945	3,382
total	103,803	233,54	279,284	210,523	150.1
Ratio of total					
Central area	57.00%	74.70%	48.60%	41.90%	56.40%
Western area	29.00%	18.00%	31.60%	38.90%	25.00%
Eastern area	14.00%	7.30%	10.40%	10.00%	12.30%
Southern area	-	-	6.80%	5.90%	4.10%
Northern area	-	-	2.60%	3.30%	2.20%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company

Table 6.18: total written premiums per type of insured

One thousand Saudi Riyal	2011	2012	2013	2013 June 30	2014 June 30
Individuals	25,918	131,963	177,712	82,363	127,101
Companies	77,885	101,577	101,572	67,737	83,422

One thousand Saudi Riyal	2011	2012	2013	2013 June 30	2014 June 30
Total	103,803	233,54	279,284	150,1	210,523
As ratio of total					
Individuals	25.00%	56.50%	63.60%	54.90%	60.40%
Companies	75.00%	43.50%	36.40%	45.10%	39.60%
Total	100%	100%	100%	100%	100%

Source: management analysis

In 2011G and 2012G, the Company depended largely on direct selling through its main branches, points of sale all over the Kingdom or its marketing and sales team. During 2013G and first half of 2014G the Company began to diversify means of sales by employing brokers and agents. It contracted with two agents to sell vehicle insurance and health insurance products and with a number of brokers. Sales through brokers/agents accounted for 51% of sales for 2013G. It is worthwhile to mention that the Company signed a non-exclusive insurance brokerage agreement with Al-Maamoon insurance brokers overseas in 2010G, and accounted for 10% of total written premiums in 2013G.

The individuals segment accounted for 25% in 2011G, 56.5% in 2012G and 63.6% in 2013G. This increase is consistent with Company policy to concentrate on this segment.

The Central area sales accounted for the largest part of total written insurance premiums in 2011G, 2012G, 2013G And first half of 2014G.

Reinsurance premiums

Table 6.19: total reinsurance premiums ceded by reinsurance method

One thousand Saudi Riyal	2011	2012	2013	2013 June 30	2014 June 30
Elective reinsurance	11,957	11,73	14,338	7,035	9,715
Proportional reinsurance	24,205	36,299	61,162	39,039	19,085
Non-proportional reinsurance (excess of loss)	2,351	8,828	5,046	1,699	2,658
Total	38,513	56,857	80,546	47,773	31,458
Ratios					
Elective reinsurance	31.00%	20.60%	17.80%	14.70%	30.90%
Proportional reinsurance	62.50%	63.80%	75.90%	81.70%	60.70%
Non-proportional reinsurance (excess of loss)	6.50%	15.60%	6.30%	3.60%	8.40%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company

Table 6.20: ratio of ceded to total written premiums by operational segments

	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	4.30%	5.30%	3.60%	2.00%	1.30%
Health insurance	-	52.90%	35.70%	38.90%	0.70%
Property insurance	94.70%	93.50%	93.90%	92.80%	92.60%
Marine insurance	72.60%	72.50%	76.70%	73.90%	73.00%
Engineering insurance	97.30%	98.40%	97.70%	97.40%	97.00%
Accident and general liability insurance	70.80%	71.00%	72.70%	70.00%	66.00%
Other insurance	62.60%	48.00%	331.20%	-	70.70%
Ceding ratio	37.10%	24.30%	28.80%	31.80%	14.90%
Retention ratio	62.90%	75.70%	71.20%	68.20%	85.10%

Source: management analysis

Table 6.21: Total ceded premiums by geographical distribution

One thousand Riyals	2011	2012	2013	2013 June 30	2014 June 30
Within the Kingdom of Saudi Arabia	8,633	9,157	14,249	6,872	10.9
Outside the Kingdom of Saudi Arabia	29.88	47.7	66,297	40,901	20,558
Total	38,513	56,857	80,546	47,773	31,458
Ratio of local ceding	22.40%	16.10%	17.70%	14.40%	34.60%

Source: SAMA report forms for Company

The Company strategy with respect to reinsurance consists of three ways to reinsure which are: elective reinsurance, proportional reinsurance, and non-proportional reinsurance. Proportional reinsurance governed by agreements the Company signs with international reinsurers accounted for 62.5%, 63.8%, and 75.9% in years 2011G, 2012G, and 2013G respectively.

The Company uses proportional reinsurance in marine insurance, property insurance, engineering insurance, accidents and general liabilities insurance, and life groups insurance in addition to additional coverage under an agreement to reinsure excess of loss for the whole account of marine insurance, property insurance, engineering insurance, and some products from accidents and general liabilities segment in order to reduce its exposure to loss at maximum limit of 0.5 million Riyal for each accident. For health insurance, the maximum limit is 50,000 Riyal per person per year and 0.5 million Riyal per accident with respect to vehicle insurance. This does not exclude the use of elective reinsurance in some cases and for risks that are not accepted for coverage under proportional reinsurance agreements or when their insurance amounts exceed the allowable limit under proportional reinsurance agreements.

The Company uses non-proportional reinsurance (excess of loss) in vehicle insurance segment. However, for health insurance the Company used proportional reinsurance in 2012G and 2013G at ratio of 70% and 60% respectively of net risk premiums instead of total written insurance premiums. At the beginning of 2014G, the Company used non-proportional reinsurance (excess of loss) for health insurance segment. This is because the Company wanted to retain health insurance premiums because of its good results.

Of non-proportional reinsurance (excess of loss) premiums, the vehicle insurance segment accounted for 52.2% in 2011G, 88.8% in 2012G, 75.9% in 2013G, and 56.5% in first half of 2014G compared to 72.9% in the first half of 2013G.

Of proportional reinsurance premiums, the health insurance segment accounted for 31.2% in 2012G and 54% in 2013G. However, it accounted for 16.5% of non-proportional reinsurance (excess of loss) premiums in the first half of 2014G.

Of elective reinsurance premiums, the fire and properties segment accounted for 48.9% in 2011G, 60.2% in 2012G, 72.9% in 2013G, 86.6% in first half of 2014G compared with 87.6% in first half of 2013G. of proportional reinsurance premiums, the fire and properties segment accounted for 20.2% in 2011G, 15% in 2012G, 13.1% in 2013G, 37.4% in first half of 2014G compared with 14.1% in first half of 2013G.

Marine insurance segment mostly uses proportional reinsurance. Of proportional reinsurance premiums, the marine insurance segment accounted for 49.9% in 2011G, 34.7% in 2012G, 19.9% in 2013G, 33.6% in first half of 2014G compared with 18.3% in first half of 2013G in addition to negligible percentage of elective reinsurance premiums and excess of loss reinsurance premiums for the mentioned years and periods.

Other insurance segments such as engineering insurance and general accidents and liabilities insurance use a mixture of the above three reinsurance methods with more reliance on proportional reinsurance.

Article 40, Implementation Manual, Cooperative Insurance Companies Control Law requires the reinsurance of at least 30% of total subscriptions inside the Kingdom when reinsuring, which the Company failed to achieve in years 2011G ,2012G and 2013G where the local ceding ratio was 22.4%,16.1% and 17.7% respectively. The reason is the lack of specialized reinsurance companies in the Kingdom of Saudi Arabia with the exception of one company only. Moreover, other companies licensed to reinsure are reluctant to accept big risks for several reasons including the desire to maintain their solvency margins or cancel their reinsurance licenses. Despite these difficulties, the Company managed to comply with this article in the first half of 2014G when it realized a ratio of 35%.

Article 40, Implementation Manual, Cooperative Insurance Companies Control Law requires the retention of at least 30% of total subscriptions or premiums, and the Company met this requirement in 2011G, 2012G, 2013G, and first half of 2014G. The retention relates to the fraction of premium, which the insurance company retains for itself and does not cede it to the reinsurer. Retention ratios were 62.9%, 75.7%, 71.2% and 85.1% respectively. The reason for the increase in retention ratio between 2012G and 2011G was the increase in vehicle insurance premiums, which are retained by the Company. The reason for the increase in retention ratio between 2013G and first half of 2014G was the change in reinsurance agreements for health insurance from the proportional to the non-proportional (excess of loss), which meant that the Company retains all premiums in comparison with 40% in 2013G.

To find out the names and credit ratings of reinsurance companies with which the Company deals please refer to "Reinsurance", "The Company and Nature of Its Business" section in this prospectus).

Reinsurance Operations

Table 6.22: earned commissions

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Received commissions	11,403	11,653	14.33	7,027	7,559
Movement in unearned commissions	(1,571)	(211)	(185)	(853)	(1,683)
Earned commissions	9,832	11,442	14,145	6,174	5,876

Source: SAMA report forms for the Company

Table 6.23: received commissions by operational segment

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	234	(52)	85	4	1
Health insurance	-	-	2.68	-	-
Property insurance	2,593	2,916	4,187	2,749	3,493
Marine insurance	5,807	6.31	4,622	2,771	2.43
Engineering insurance	1.98	1,705	1,808	818	876
General accident and liabilities insurance	789	774	948	685	759
Total	11,403	11,653	14,33	7,027	7,559
Ratio of ceded premiums (without excess of loss)					
Vehicle insurance	17.50%	(5.00%)	7.50%	6.40%	6.70%
Health insurance	-	-	8.10%	-	-
Property insurance	24.10%	23.30%	22.70%	23.60%	22.50%
Marine insurance	43.10%	46.80%	36.60%	37.10%	36.30%
Engineering insurance	30.00%	26.70%	27.40%	30.50%	29.70%
General accident and liabilities insurance	28.50%	28.80%	28.40%	30.60%	28.40%
Total ratio	31.50%	24.30%	19.00%	15.30%	26.20%

Source: SAMA report forms and management analysis

Received commissions include reinsurance commission specified in the agreements and profit commissions, which applies to certain segments such as marine insurance, health insurance and engineering insurance.

Received reinsurance commissions for each of property insurance, engineering insurance, and general accident and liabilities insurance maintained their levels to a large extent during 2011G, 2012G, 2013G and first half of 2014G.

The reason for recording high commission rates for marine insurance in 2011G and 2012G in comparison with 2013G and first half of 2014G is due to Company recording of profit commission resulting from marine proportional reinsurance operations which is calculated at 25% of net profits from marine proportional reinsurance operations and recording such commission in the financial accounts for 2011G and 2012G. Recorded profit commission for 2011G was 1.1 million Riyal and 1.3 million Riyal for 2012G. The Company recorded no profit commission for 2013G in compliance with the principle of conservatism when recognizing revenue and to avoid any reversal in commission in the following year. It is expected that the Company will record this commission in year 2014G after obtaining its reconciliation from reinsurer.

The proportional reinsurance agreement for health insurance for 2012G and 2013G only provides for a profit commission ranging between zero and 50% of net profits of reinsurance operations based on the recorded loss ratios. The commission will be zero if loss ratio exceeds 90%, and 25% if loss ratio between 89% and 90%, and increases gradually up to a maximum of 50% if loss ratio is less than 70%. The Company recorded in 2013G profit commission from reinsurance operations for 2012G equal to 2.7 million Riyal. It is expected that the Company will record at end of 2014G profit commission from reinsurance operations for 2013G after obtaining its reconciliation from reinsurer.

Proportional reinsurance agreement for engineering insurance for year 2013G specified a profit commission equal to 20% of net profits resulting from proportional reinsurance for this sector but the agreement specifies that such commission may not be recorded in financial statements except after one year from the termination of reinsurance agreement. It is expected that the Company will at end of 2014G record the profit commission, if any, resulting from reinsurance operations for 2013G after obtaining its reconciliation from the reinsurer.

Claims

Table 6.24: total claims paid by operational sector

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	23.49	97,802	104,644	56,545	64,905
Health insurance	-	232	8,457	2,418	7,213
Property insurance	23,508	980	9,787	2,955	3,495
Marine insurance	2,487	2,653	5,012	3.8	602
Engineering insurance	1,589	740	386	157	157
General accident and liabilities insurance	1,356	3,936	1,552	1,066	506
Other insurance	-	68	378	378	302
Total	52,428	106,411	130,216	67,319	77,18
Ratio of total					
Vehicle insurance	44.80%	91.90%	80.40%	84.00%	84.10%
Health insurance	-	0.20%	6.50%	3.60%	9.30%
Property insurance	44.80%	0.90%	7.50%	4.40%	4.50%
Marine insurance	4.70%	2.50%	3.80%	5.60%	0.80%
Engineering insurance	3.00%	0.70%	0.30%	0.20%	0.20%
General accident and liabilities insurance	2.70%	3.70%	1.20%	1.60%	0.70%
Other insurance	-	0.10%	0.30%	0.60%	0.40%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company and management analysis

Table 6.25: total paid claims by area

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Western area	22,402	14,817	25,224	9,355	12,107
Eastern area	4,871	3.68	7,693	1,421	1,888
Central area	25,155	87,914	97,299	56,543	63,185
Total	52,428	106,411	130,216	67,319	77,18
Ratio of total					
Western area	42.70%	13.90%	19.40%	13.90%	15.70%
Eastern area	9.30%	3.50%	5.90%	2.10%	2.40%
Central area	48.00%	82.60%	74.70%	84.00%	81.90%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company

Table 6.26: total paid claims by distribution channel

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Direct sales	49.96	98,809	113,892	59,553	51,737
Brokers/agents	2,468	7,602	16,324	7,766	25,443
Total	52,428	106,411	130,216	67,319	77,18
Ratio of total					
Direct sales	95.30%	92.80%	87.50%	88.50%	67.00%

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Brokers/agents	4.70%	7.20%	12.50%	11.50%	33.00%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company

Table 6.27: components of net incurred claims

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Net paid claims	23,944	98,154	108,053	57,524	68,361
Net movement in outstanding claims	(492)	5,939	9,272	3,806	8,786
Net movement in unreported incurred claims	1,179	14,394	(980)	(5,271)	(963)
Movement in other reserves	2,445	208	2,15	1,083	4,658
Net incurred claims	27,076	118,695	118,495	57,142	80,842
Ratio of total					
Net paid claims	88.40%	82.70%	91.20%	100.70%	84.60%
Net movement in outstanding claims	(1.80%)	5.00%	7.80%	6.70%	10.90%
Net movement in unreported incurred claims	4.30%	12.10%	(0.80%)	(9.30%)	(1.20%)
Movement in other reserves	9.10%	0.20%	1.80%	1.90%	5.70%
Total	100%	100%	100%	100%	100%

Source: management analysis

Paid claims for vehicle insurance were the largest part of total paid claims, and accounted for 44.8% in 2011G, 91.9% in 2012G, 80.4% in 2013G, and 84.1% in first half of 2014G compared with 84% in first half of 2013G. The reason for this is the high reliance of insurance portfolio on vehicle insurance segment, which has always accounted a minimum of 50% of total written claims. Total paid claims were heavily concentrated in the Central Area due to high level of written premiums from this area.

Net incurred claims in 2012G increased 338.4% compared to 2011G. Main reason for this increase was the increase in net paid claims by 310% and in movement of net unreported incurred claims by 1120.9%, and most of these increases were due to Mandatory vehicle insurance segment (and thus incurred claims as a ratio of earned premiums increased from 66% in 2011G to 86% in 2012G). As a result of increased claims ratio, the underwriting surplus decreased by 27 million Riyal in 2012G.

Company results in 2012G were significantly impacted by the adjustments and estimates recommended by the actuarial expert - in line with the implementation manual of cooperative insurance companies control law – with respect to unreported incurred claims reserves and premium deficit reserve especially for vehicle insurance. These recommendations proved later to be correct to a large extent, and thus the Company in 2013G decided to implement estimates and adjustments of the actuarial expert concerning technical provisions on quarter basis and to incorporate them in the quarterly financial statements and not wait until year end to incorporate these adjustments as it is the practice in the market. This policy has given fruits and led to enhancement of the Company technical provisions, which can be seen from net incurred claims for 2013G which decreased by 0.2% compared to 2012G.

The Company took a strategic decision to limit losses by pricing Mandatory vehicle insurance in line with the recommendations of the actuarial expert.

Because of Company decision to reduce concentration on Mandatory vehicle insurance and concentrate more on individual health insurance, incurred claims as ratio of earned premiums decreased to 69% in 2013G compared to 86% in 2012G, in line with levels in 2011G, despite the realization of combined annual growth in total written premiums of 64% during 2011G -2012G. Net incurred claims in 2013G maintained the same levels as in 2012G.

In 2013G incurred claims as ratio of earned premiums for property insurance was about 168%. This was due to high volume of claims, and despite that, it accounted for about 3% of total underwriting surplus in that year due to the structure of commission for this type of insurance.

In 2013G incurred claims as ratio of earned premiums for marine insurance decreased to about 13%, and this was due to Company releasing of an amount of 0.4 million Riyal from the unreported incurred claims reserve based on the recommendation of actuarial expert in addition to a decrease in outstanding claims by 1.2 million Riyals.

It is worthwhile to mention that profit from related parties' contracts is lower than other customers as the percentage of claims is higher (about 50%) than Company average (about 42%). Claims from Aba Hussain Company, Siqala Commercial

Establishment, and some accounts of board members companies were the main driver behind the increased claims from related parties. During 2013G, most policies of related parties were for vehicle insurance (about 66% of total written premiums from members of BOD) as ratio of claims for this segment is highest compared to other segments.

Marine insurance accounted for 63% of written premiums from Aba Hussein Company during 2013G. Although marine insurance is characterized by low claims ratio, the high claims of Aba Hussein Company was due to three high value claims, which the Company could have not incurred.

In 2013G vehicle insurance and property insurance accounted for 40% and 43% respectively of written premiums from Siqala Commercial establishment. Buruj increased insurance prices for this Establishment during the first quarter of 2014G because of the high loss ratio from this account.

Main reason for the increase in net incurred claims during the first half of 2014G by 41.5% compared with first half of 2013G was the increase in paid claims from vehicle insurance by 18.8% and increase in movement of premium deficit reserve by 330.1% for vehicle insurance.

Recoverable claims

Table 6.28: recoverable claims against paid claims

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Total paid claims	52,428	106,411	130,216	67,319	77.18
Reinsurers share of paid claims	28,484	8,257	22,163	9,795	8,819
Recovery ratio	54.30%	7.80%	17.00%	14.50%	11.40%

Source: SAMA report forms for Company

Table 6.29: recovery ratios by operational segment

	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	4.40%	1.20%	2.10%	1.90%	0.50%
Health insurance	-	70.00%	66.70%	70.00%	58.20%
Property insurance	97.20%	88.60%	86.20%	86.10%	92.40%
Marine insurance	78.40%	63.10%	78.20%	83.40%	50.00%
Engineering insurance	91.40%	104.70%	95.80%	95.40%	96.40%
General accident and liabilities insurance	87.60%	90.00%	81.90%	80.00%	67.60%
Other insurance	-	40.00%	85.00%	85.00%	85.00%
Recovery ratio	54.30%	7.80%	17.00%	14.50%	11.40%

Source: SAMA report forms for Company and management analysis

Table 6.30: recovered claims by reinsurance method

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Elective reinsurance	12,638	1,278	2,733	779	1,358
Proportional reinsurance	15,608	6,373	16,626	8.16	7,201
Non-Proportional reinsurance (excess of loss)	238	606	2,804	856	260
Total	28,484	8,257	22,163	9,795	8,819
Ratios					
Elective reinsurance	44.40%	15.50%	12.30%	8.00%	15.40%
Proportional reinsurance	54.80%	77.20%	75.00%	83.30%	81.60%
Non-Proportional reinsurance (excess of loss)	0.80%	7.30%	12.70%	8.70%	3.00%
Total	100%	100%	100%	100%	100%

Source: SAMA report forms for Company and management analysis

Ratio of paid claims recovered from reinsurers in 2011G 54.3%, but decreased to 7.8% in 2012G, 17% in 2013G, and 11.4% in first half of 2014G. The reason for this is that most paid claims are the result of vehicle insurance, and thus are subject to non-proportional reinsurance (excess of loss) agreement, which most of its claims are within retention limit by the Company which is 0.5 million Riyal for each accident.

Property insurance and engineering insurance had the highest recovery ratios, which is in line with ceded insurance premiums. Insurance risks and amounts are generally very high in these two segments, and single claim could expose the Company to huge losses or even bankruptcy in some cases if there is no sound reinsurance arrangements to protect the Company capital. Therefore, total recovered claims in 2013G was 86.2% for property insurance and 95.8% for engineering insurance.

Recovered claims by proportional reinsurance method accounted for the largest part of total reinsurance share of paid claims, and was 75% in 2013G, and the reason is that the larger part of ceded insurance premiums in various insurance segments except vehicles is subject to proportional reinsurance agreements.

Policy acquisition costs

Table 6.31: incurred commissions

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Paid commissions	15,181	21,237	25,214	14,048	20,256
Movement in deferred Policy acquisition costs	(6,337)	(556)	(2,359)	(3,243)	(6,603)
Incurred commissions	8,844	20,681	22,855	10,805	13,653
Ratio of total earned insurance premiums	14.10%	11.10%	9.30%	9.00%	9.00%

Source: SAMA report forms for Company

Table 6.32: paid commissions by operational segment

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Vehicle insurance	11,405	15,559	11.42	5,593	10,877
Health insurance	-	1,656	9,481	5.5	6,023
Property insurance	1.22	1,395	1.87	1,359	1,879
Marine insurance	1,572	1,539	1,284	881	625
Engineering insurance	588	683	690	323	338
General accident and liabilities insurance	396	400	469	392	514
Other insurance	-	5	-	-	-
Total	15,181	21,237	25,214	14,048	20,256
Ratio of total written insurance premiums					
Vehicle insurance	19.00%	9.30%	8.30%	8.60%	9.50%
Health insurance	-	7.70%	10.20%	9.80%	9.80%
Property insurance	10.50%	10.30%	9.40%	10.80%	11.10%
Marine insurance	8.00%	7.90%	7.30%	8.30%	6.40%
Engineering insurance	8.60%	10.50%	10.20%	11.70%	11.00%
General accident and liabilities insurance	9.90%	10.40%	9.80%	12.10%	12.00%
Other insurance	-	0.40%	-	-	-
Total ratio	14.60%	9.10%	9.10%	9.40%	9.60%

Source: SAMA report forms for Company and management analysis

Paid commissions to insurance brokers and the Company sales team are agreed upon on a case by case basis depending on insurance type and price provided that commission ratio does not exceed specified ratios in SAMA circular on maximum commission ratios payable for each type of insurance. The Company has complied with this circular once issued in mid-2011G. Regarding agents, commissions are paid as agreed upon in the contract signed with the agent, but may not exceed ratios specified in SAMA circular. Company dealings with agents are limited to vehicle insurance and health insurance, and thus paid commission ranges between 8% and 10% of total written premiums.

Al-Maamoon Company is related party and broker for the Company. During 2013G, written premiums through Al-Maamoon Company were 26.7 million Riyals, and earned commissions were about 3.2 million Riyal (12% of total written premiums). This was in line with the Company underwriting costs policy.

The increase in incurred commissions from 2011G to 2013G was due to total growth in written insurance premiums especially in vehicle insurance and health insurance. Of total paid commissions, paid commission for vehicle insurance accounted for 75.1% in 2011G, 73.3% in 2012G, 45.3% in 2013G, and 53.7% in first half of 2014G compared with 39.8% in first half of 2013G. The main reason is that Company depends on distribution channels through agents and employees of Company points of sale for selling and marketing the Mandatory vehicle insurance in particular with paid commissions ranging between 4% and 8%. Of total commissions paid, paid commissions for health insurance accounted for 37.6% in 2013G, and 29.7%% in first half of 2014G compared with 39.1% in first half of 2013G.

Third party administrator fees (claim processing fees)

Table 6.33: Third party administrator fees

One thousand Saudi riyals	2011	2012	2013	2013 June 30	2014 June 30
Total paid claim processing fees	-	1,501	5,558	3,352	3,067
Movement in deferred claim processing fees	-	(1,079)	(1,396)	(1,858)	(74)
Incurred claim processing fees	-	422	4,162	1,494	2,993
Ratio of total paid fees to total insurance written premiums (health)	-	7.00%	6.00%	6.00%	5.00%

Source: management analysis

Claim processing fees, also known as third party administrator fees, are limited to health insurance only. The Company has signed contract in 2012G with Saudi Comprehensive Care Company to manage health insurance claims, and this contract is still effective until the date of this prospectus.

Claim processing fees are computed in accordance with contract signed with the third party administrator as ratio of total written health insurance premiums. This ratio was 7% in 2012G, and reduced to 6% in 2013G. However, in 2014G the ratio was set at 5% of total individual Mandatory health insurance, and 6% of total comprehensive or group health insurance. Claim processing fees are deferred on pro rata basis or what is known as 365 days method, which is line with health insurance premiums.

General and administrative expenses

Table 6.34: General and administrative expenses for insurance operations

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Employees' salaries and costs	18,391	21,304	25,243	12,143	13,367
rent	2,152	2,188	3,252	1,653	1,646
Consultative and professional fees	1,803	1,427	1,173	497	599
Stationery and office supplies	440	736	550	281	341
Utilities and telecommunications	812	891	1,013	500	506
Travel and transportation expenses	201	185	182	68	84
Advertisement and promotion expenses	147	175	124	78	266
Withholding tax	1.12	1,881	3,106	1,894	718
Depreciation	1,638	1,828	2,063	1,042	746
Information technology expenses	658	776	712	449	248
Other expenses	519	445	391	197	398
Total	27,881	31,836	37,809	18,802	18,919
Key performance indicators and ratios					
Ratio of total written premiums	26.90%	13.60%	13.50%	12.50%	9.00%
Ratio of total earned premiums	44.40%	17.00%	15.30%	15.80%	12.50%
Ratio of net earned premiums	67.70%	22.90%	21.90%	21.60%	16.50%

Source: SAMA report forms for Company and management analysis

Total administrative and general expenses for insurance operations increased by 4 million Riyal in 2012G compared with 2011G and 6 million Riyal in 2013G compared with 2012G. Main reason was the increase in employee salaries and costs, rents, and withholding tax. However, general expenses remained at the same level in first half of 2014G compared with first half of 2013G.

Ratio of general and administrative expenses for insurance operations to net earned premiums decreased from 67.7% in 2011G to 22.9% in 2012G, 21.9% in 2013G, and 16.5% in first half of 2014G. The main reason written premium volume in 2011G was insufficient to cover costs of claims, underwriting, and general and administrative expenses because 2011G was the first full operation year for the Company.

Of total administrative and general expenses for insurance operations, employees' salaries and costs accounted for 66% in 2011G , 66.9% in 2012G, 66.8% in 2013G, and 70.6% in first half of 2014G compared with 64.6% in first half of 2013G. The reason for this slight increase was the increase in number of employees.

Rent expense is the second highest expense within the general and administrative expenses. It consists of rent payments for the main office, main branches and Company points of sale. The main reason for the increased rent from 2012G to 2013G was the increase in number of operating points of sale.

Withholding tax expenses resulting from reinsurance premiums ceded outside the Kingdom increased from 1.1 million Riyal in 2011G to 3.1 million Riyal in 2012G. The main reason was that reinsurance operations for health insurance sector started in 2012G, and the Company ceded 70% of net premium risks in 2012G, and 60% in 2013G. Withholding tax is computed at 5% of total insurance premiums ceded outside the Kingdom. The main reason for the decrease in withholding tax expense in first half of 2014G compared with first half of 2013G was the change in method of reinsurance for health insurance sector at the beginning of 2014G from proportional reinsurance to non-proportional reinsurance (excess of loss), and thus the company retained premiums.

Table 6.35: general and administrative expenses for shareholders operations

One thousand Saudi Riyals	2011	2012	2013	2013 June 30	2014 June 30
Remunerations, fees and expenses of board of directors and committees	1,571	1,783	1,653	790	671
Listing fees	220	220	220	110	110
Other expenses	274	414	318	152	270
Total	2,065	2,417	2,191	1,052	1,051

Source: SAMA report forms for the Company

In general, there were no substantial differences in general and administrative expenses for shareholders operations during the three years 2011G, 2012G, and 2013G and the first half of 2014G and 2013G. However, there was a slight tendency for decrease, which was the result of reducing number of members of board of directors in 2013G from 10 members to seven members.

The Company confirms that its business and financial position are not affected by any seasonal factors or economic cycles. Moreover, except factors mentioned in "Risk Factors" section, Company operations have not been affected by any governmental, economic, financial, monetary or political policies or any other factor (directly or indirectly) until the date of this prospectus.

Statement of financial position

Table 6.36: Statement of financial position

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2013 (un audited)	30 June 2014 (unaudited)
Insurance operations' assets					
Cash and cash equivalents	35,674	83,842	121,531	103,905	66,621
Time deposits	-	-	-	59	20,445
Premiums and reinsurance balances receivable, net	37,771	31,743	27.75	55,487	45,588
Due from shareholders' operations	-	6,232	3,289	564	4,627
Available for sale investments	-	8,051	-	15,076	7,71
Reinsurers' share of outstanding claims	16,422	27,79	38,766	42,896	37,756
Prepayments and other assets	1,317	4,933	10,271	8,645	8,163
Deferred policy acquisition costs	7,616	8,172	10,531	17,134	11,415
Reinsurers' share of unearned premiums	12,804	21,637	28,037	22,766	36,944

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2013 (un audited)	30 June 2014 (unaudited)
Held to maturity investments	-	-	8	8	8
Property and equipment, net	5,228	4.46	3,299	3,512	4,091
Total insurance operations' assets	116,832	196,86	251,474	336,985	251,361
Shareholders' assets					
Cash and cash equivalents	33,379	33,871	13,524	17,285	35,115
Available for sale investments	34,17	34,54	56,381	53,688	31,989
Prepayments and other assets	822	836	261	552	941
Statutory deposit	13	13,111	13,157	13,244	13,157
Due from insurance operations	11,554	-	-	-	-
Total shareholders' assets	92,925	82,358	83,323	84,769	81,202
Total assets	209,757	279,218	334,797	421,754	332,563
Insurance operations' liabilities & surplus					
Insurance operations' liabilities					
Gross outstanding claims	33,758	65.46	84,727	96,681	73,961
Reinsurance and insurance balances payable	15,536	24,309	21,969	27,115	36,166
Accrued expenses and other liabilities	4,008	7,375	8,546	9,608	8,085
Employees' end of service benefits	793	1,481	2,061	2,559	1,751
Due to shareholders operations	11,554	-	-	-	-
Unearned reinsurance commission	3.41	3,621	3,806	5,489	4.9
Gross unearned premiums	45,328	91,952	124,83	184,186	122,585
Premium deficiency and other reserves	2,445	2,652	4,802	9.46	3,736
Total insurance operations' liabilities	116,832	196,85	250,741	335,098	251,183
Insurance operations' surplus					
Accumulated surplus	-	-	733	1,084	427
Change in fair value of available for sale investments	-	9	-	803	-250
Total insurance operations' liabilities & surplus	116,832	196,859	251,474	336,985	251,361
Shareholders' liabilities and equity					
Shareholders' liabilities					
Zakat payable	5,852	7.07	7,364	8,464	6,466
Accrued expenses and other liabilities	1,869	1,829	2,153	2,076	2,089
Due to a related party	75	8	36	26	22
Due to insurance operations	-	6,232	3,289	564	4,627
Total shareholders' liabilities	7,796	15,139	12,842	11,13	13,204
Shareholders' equity					
Share capital	130	130	130	130	130
Accumulated losses	(44,766)	(63,767)	(58,729)	(56,506)	(60,565)
Change in fair value of available for sale investments	(105)	986	(790)	145	(1,437)

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2013 (un audited)	30 June 2014 (unaudited)
Total shareholders' equity	85,129	67,219	70,481	73,639	67,998
Total shareholders' liabilities and equity	92,925	82,358	83,323	84,769	81,202
Total liabilities and equity	209,757	279,218	334,797	421,754	332,563

Source: financial statements

Table 6.37: key performance ratios and indicators

Key performance ratios and indicators	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Liquidity ratio	165.30%	121.50%	111.30%	108.40%
Cash ratio	64.90%	57.60%	53.80%	53.80%
Share book value (Saudi Riyal)	6.5	5.2	5.4	5.7
Ratio of insurance premiums receivable /total written premiums	31.60%	13.40%	9.40%	25.40%
Ratio of insurance premiums receivable /total assets	15.60%	11.20%	7.90%	12.70%
Asset turnover ratio	0.91	0.82	0.91	0.9

Source: management analysis

Insurance operations assets accounted for 79.9% of total assets as on 30 June 2014G (75.1% in 2013G, 70.5% in 2012G). The cash and cash equivalents and time deposits of insurance and shareholders operations as on 30 June 2014G accounted for 42.7% (40.3% in 2013G, 42.2% in 2012G). Premiums and balances receivables as on 30 June 2014G accounted for 13.2% (8.3% in 2013G, 11.4% in 2012G). Reinsurers' share of outstanding claims as on 30 June 2014G accounted for 10.2% (11.6% in 2013G, 10% in 2012G). Reinsurers' share of unearned premiums as on 30 June 2014G accounted for 5.4% (8.4% in 2013G, 7.7% in 2012G). As seen from ratios there are no substantial differences as they remained largely constant.

Insurance operations liabilities accounted for 96.8% of total liabilities (excluding shareholders equity and insurance operations surplus) as on 30 June 2014G (95.1% in 2013G, 92.9% in 2012G). Total unearned premiums as on 30 June 2014G accounted for 53.2% (47.4% in 2013G, 43.4% in 2012G). Total outstanding claims as on 30 June 2014G accounted for 27.9% (32.1% in 2013G, 30.9% in 2012G). Insurance and reinsurance balances receivables accounted for 7.8% as on June 2014G (8.3% in 2013G, 11.5% in 2012G). As seen from ratios there are no substantial differences as they remained largely constant.

Total invested assets grew from 76.1 million Riyal in 2011G to 112.3 million Riyal in 2012G due to cash flows from insurance operations. Total invested assets decreased to 72.3 million Riyal in 2013G due to expiry of 39 million Riyal deposit before the end of Dec. 2013G. However, it was reinvested in January 2014G.

In 2011G and 2012G, time deposits and debt instruments were about 98% of total investments. Company investments were in a trading fund, real estate funds and shares funds. Fair values of these investments were 21.2 million Riyals, 4.8 million Riyal, and 2.3 million Riyal respectively as on December 2013G.

In line with Cooperative Insurance Companies Control Law, the Company set aside 10% of paid capital (13 million Riyal) as statuary reserve. This sum was deposited in Al-Rajhi Bank, and the Company may not withdraw it except by approval of SAMA. Accrued commission income on these deposits are included under statuary deposit, accrued expenses and other liabilities.

The Company confirms that it has no debt instruments, other loans, any term loan, debts or mortgages as on 31 Dec. 2011G, 2012G, 2013G and period ending on 30 June 2014G. the Company also has no contingent liabilities or warranties as on 31 Dec. 2011G , 2012G, 2013G and period ending on 30 June 2014G except what has been declared in the financial statements for 2012G, which were warranties of 350 thousand Riyals with respect to health insurance in the context of normal business but do not exit any more.

Cash and cash equivalent:

Table 6.38: cash and cash equivalent

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (un audited)
Insurance operations				
Cash at hand and at banks	20,234	42,279	113,655	103,905

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (un audited)
Short term deposits	15.44	41,563	7,876	-
Total	35,674	83,842	121,531	103,905
Ratio of total				
Cash at hand and at banks	56.70%	50.50%	93.50%	100%
Short term deposits	43.30%	49.50%	6.50%	-
Total	100%	100%	100%	100%
Shareholder operations				
Cash at hand and at banks	6,843	5,771	13,524	7.16
Short term deposits	26,536	28.1	-	10,125
Total	33,379	33,871	13,524	17,285
Ratio of total				
Cash at hand and at banks	20.50%	17.00%	100%	41.40%
Short term deposits	79.50%	83.00%	-	58.60%
Total	100%	100%	100%	100%

Source: audited financial statements

Cash and cash equivalents for insurance operations increased from 35.6 million Riyal as on 31 Dec. 2011G to 83.8 million Riyal as on 31 Dec. 2012G. The reason was increased individual insurance premiums such as Mandatory vehicle insurance and Mandatory health insurance where premiums are paid immediately. In addition to that, there was improvement in premium collection, which explains the reverse in doubtful debt provision in income statement for 2012G. Cash and cash equivalents for insurance operations in 2013G increased to 121.5 million Riyal. The reason was the increase in Mandatory health insurance premiums in addition to consistent good collection level which is reflected in the level of doubtful debts provision in 2013G income statement which did not exceed 0.05 million Riyal. The reason for the decrease in cash and cash equivalent as on 30 June 2014G was due to the investments in time deposits and available for sale investments. Individual insurance activities continued to increase and contribute to cash and cash equivalents.

Cash and cash equivalents for shareholders operations maintained their levels as on 31 Dec. 2011G and 31 Dec. 2012G. The reason for decreased cash and cash equivalents as on 31 Dec. 2013G was the transfer of 20 million Riyal for investment in local commercial fund units that have higher returns. The increase in cash and cash equivalents as on 30 June 2014G was due to the selling of some investments in bonds and sukuk for investment in short term deposits to improve the Company solvency margin.

Statutory Deposit

Table 6.39: Statutory Deposit

One thousand Saudi Riyals	31 Dec 2011 (audited)	31 Dec 2012 (audited)	31 Dec 2013 (audited)	30 June 2014 (unaudited)
Statutory deposit	13	13,111	13,157	13,244
Return on statutory deposit	-	0.86%	0.35%	0.66%

Source: audited financial statements

In compliance with article 58 of implementation manual, cooperative insurance companies control law, the ratio of statutory deposit to paid capital must be 10%. Statutory deposit has been deposited in a separate account with Al-Rajhi Bank in 2010G. SAMA has authorized the Company in 2011G to invest statutory deposit as direct investment deposit with Al-Rajhi Bank. This deposit may not be withdrawn without the approval of SAMA. The return on the investment of this deposit is for SAMA, and has been included in the financial statements under statutory deposit, accrued expenses and other liabilities.

Prepayments and other balances

The balance of prepayments and other assets increased from 1.3 million Riyal in 2011G to 10.3 million Riyal in 2013G (4.9 million Riyal in 2012G. This was due to increase in accrued income, third party administrator fees, and excess of loss premiums.

Insurance syndicate receivables

The Company signed a reinsurance contract with Arab War Risk Insurance Syndicate to cover marine war risks. under this contract, the Company transfers these risks to the Insurance Syndicate, and receives commissions as well as 25% of its profits in the Syndicate in cash each year, which may fluctuate depending on premium volume transferred from Buruj Company. The remaining 75% is retained as emergency reserve with the Syndicate. In 2013G the receivables balance from the Syndicate was about 1.2 million Riyal, which represent the accumulated emergency reserve since the Company started dealing with the Syndicate.

Insurance premiums and reinsurance balances receivable, net

Table 6.40: insurance premiums and reinsurance balances receivable

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (un audited)
Insurance premiums receivables	43,398	39,041	34,218	66,059
Allowance for doubtful debts	(10,607)	(7,747)	(7,909)	(12,49)
net	32,791	31,294	26,309	53,569
Reinsurance balances receivables	5.33	1,381	2,261	3,021
Allowance for doubtful debts	(350)	(932)	(820)	(1,103)
net	4.98	449	1,441	1,918
Total insurance premiums and reinsurance balances receivables, net	37,771	31,743	27,75	55,487
Key performance indicators				
Turnover rate of premiums and balances receivable*	1.87	2.17	2.65	2.21
Average collection period (days)	195	168	138	165
Average collection period (months)	6.5	5.6	4.6	5.5

Source: audited financial statements and management analysis

*Note: turnover rate is computed by dividing total deferred insurance premiums only over average insurance premiums and reinsurance premium balances receivable prior to deduction of doubtful debt allowance, which is the best method to evaluate balances receivable and Company ability to collect them, and shows the nature of credit policy followed by the Company.

Insurance premiums receivables concern companies holding policies as retail customers pay on the date of policy purchase. SAMA directives specify that insurance premiums of issued policies are totally accrued from the date on which insurance coverage starts, and not based on payment dates agreed with the insured. The Company has complied with this circular since the start of its operations in mid-2010G.

Premiums receivable include balances transferred from the Saudi Pearl Company as a result of transferring its insurance portfolio in 2010G (9.9 million Riyal in 2011G, 2.9 million Riyal in March 2014G). The Company set aside an allowance for these balances during the period 2011G to 2013G in addition to the period ending in June 2014G in line with SAMA instructions at 100% ratio. The Company has no separate department for collection of accounts receivable.

In Dec. 2013G balances receivable with ages exceeding 181 days were about 12.8 million Riyal, of which 3.2 million Riyal due from related parties. The Company has set aside an allowance for these balances in compliance with SAMA regulations despite their low risk. The reason for the increase in allowance for 2013G compared with 2012G despite decreased balances receivable is the increased ratio of balances receivable with ages exceeding 181 days by a 15% compared to 2012.

It is worthwhile to mention that there was a risk that the Company may not be able to collect premiums receivable with amount of 0.5 million Riyal from Abdul Mohsen Al-Hukair Company as there is a claim on it which is the subject of disagreement. The Company has set aside 75% of this amount in 2013G and then the set aside the full amount in June 2014G.

Table 6.41: provision for doubtful debts

One thousand Saudi Riyal	0-90 days	91-180 days	181-365 days	More than 365 days	Disputed or uncollectible	total
Insurance premiums receivable						
31 Dec. 2011	14,363	13,671	6,698	7,136	1.53	43,398

One thousand Saudi Riyal	0-90 days	91-180 days	181-365 days	More than 365 days	Disputed or uncollectible	total
31 Dec. 2012	17,685	8,839	7,602	1,577	3,338	39,041
31 Dec. 2013	11,087	6,998	12,146	655	3,332	34,218
30 June 2014	26,533	22,884	8,763	4,048	3,831	66,059
Provision for doubtful debts						
31 Dec. 2011	-	(2,051)	(1,674)	(5,352)	(1.53)	(10,607)
31 Dec, 2012	-	(1,326)	(1.9)	(1,183)	(3,338)	(7,747)
31 Dec. 2013	-	(1.05)	(3,036)	(491)	(3,332)	(7,909)
30 June 2014	-	(3,432)	(2,191)	(3,036)	(3,831)	(12.49)
Net Insurance premiums receivable						
31 Dec. 2011	14,363	11,62	5,024	1,784	-	32,791
31 Dec. 2012	17,685	7,513	5,702	394	-	31,294
31 Dec. 2013	11,087	5,948	9.11	164	-	26,309
30 June 2014	26,533	19,452	6,572	1,012	-	53,569
Reinsurance balances receivable						
31 Dec. 2011	1,632	194	3,312	192	-	5,33
31 Dec. 2012	18	97	28	1,238	-	1,381
31 Dec. 2013	1.13	36	2	1,093	-	2,261
30 June 2014	1,917	-	-	2	1,102	3,021
Provision for doubtful debts						
31 Dec. 2011	-	-	(331)	(19)	-	(350)
31 Dec. 2012	-	-	(3)	(929)	-	(932)
31 Dec. 2013	-	-	-	(820)	-	(820)
30 June 2014	-	-	-	(1)	(1.102)	(1.103)
Reinsurance balances receivable, net						
31 Dec. 2011	1,632	194	2,981	173	-	4.98
31 Dec. 2012	18	97	25	309	-	449
31 Dec. 2013	1.13	36	2	273	-	1,441
30 June 2014	1,917	-	-	1	-	1,918

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G and management analysis

SAMA issued in mid-2010G circular requiring insurance companies to compute doubtful debt provision per paragraph d of article 69, implementation manual, cooperative insurance companies control law which specifies the following method for computing minimum provision for doubtful debts:

5. 1) 10% of total amounts due on reinsurers that are overdue by more than one hundred eighty days.
6. 2) 15% of total amounts due on the insured that are overdue by more than ninety days.
7. 3) 25% of total amounts due on the insured that are overdue by more than one hundred eighty days.
8. 4) 75% of total amounts due that are overdue by more than three hundred and sixty days.
9. 5) 100% of due amounts that are disputed.

The circular specifies that insurance premiums of issued policies are fully accrued from the date on which insurance coverage starts, and not based on payment dates agreed with the insured. The Company has complied with this circular since the start of its operations in mid-2010G. The Company computes doubtful debts provision on this basis. However, international standards require a provision to be set aside for each case separately. The Company has provided to the financial professional care consultant the provision that was computed in accordance with international standards, and the consultant computed the difference between the two methods and found no substantial difference (0.1 million Riyal as on 31 Dec. 2013G).

Doubtful debt provision as on 31 Dec. 2012G decreased by 20.8% compared with 31 Dec. 2011G. This was due to good follow up of collection operations and decreased premiums receivable. The same trend continued in 2013G, and Doubtful debt provision as on 31 Dec. 2013G increased by only 0.5% despite an increase of 19.6% in written insurance premiums. However, Doubtful debt provision increased significantly by 55.7% as on 30 June 2014G due to delayed payment by some accounts, and the Company is working hard to collect delayed payments.

The main reason for the disputed or uncollectible amounts as on 31 Dec. 2013G is due to the fact that 86.6% of these amounts (2.9 million Riyal) resulted from transferring the insurance portfolio of Saudi Pearl Insurance Company. The Company has set aside a provision for these amounts from the beginning in the financial statements 2010G to 30 June 2014G. Therefore, any decision the Company takes in the future to write of these debts will not affect the statement of insurance operations income, and thus will not affect Company results. This is because net receivables are shown in the statement of financial position, and the value of these debts are zero since the provision is equal to these debts.

The Company has set aside a provision of 8 million Riyal, which is higher than the amount recommended by the Professional Care Company (7.6 million Riyal) in Dec. 2013G.

Insurance and reinsurance balances payable

- Guy Carpenter and Company: the existing balance represents adjustments to premiums agreed upon with Pearl Company. The balance existing since more than 180 days represents about 80% of this existing balance as on Dec. 2013G. There has been no dispute because of the delay, because there are continuous adjustments on the balance.
- Gulf Insurance Company (Kuwaiti Shareholding Co.): most of the balance relates to elective reinsurance. The amount of 0.9 million Riyal has exceeded 365 days as on Dec. 2013G. It is related to Pearl Company and still under review by the Reinsurance Company (one of Buruj shareholders).
- General Gulf Cooperative Insurance Company: 89% of due balance has exceeded 180 days as on Dec. 2013G. Buruj has signed joint insurance and elective reinsurance agreement with this Company. The reason for the delay is that General Gulf has not confirmed this balance.
- Mapfre: Buruj has signed medical reinsurance agreement with this Company, and the agreement expired in Dec. 2012G. The management did not pay the due amount intentionally as it was expecting additional claims with respect to this agreement and relating to 2013G, in order to recover them from the reinsurer. The balance was 1.3 million Riyal in 2013G, and was in existence for more 180 days. Buruj settled the amount in January 2014G.

Deferred policy acquisition costs

Table 6.42: movement in deferred policy acquisition costs

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Opening balance	1,279	7,616	8,172	10,531
Paid during the year	15,181	21,237	25,214	20,256
Incurred during the year	(8,844)	(20,681)	(22,855)	(13,653)
Closing balance	7,616	8,172	10,531	17,134
Main performance indicators				
Deferred/paid acquisition costs during the year	50.20%	38.50%	41.80%	Not applicable

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G and management analysis

Table 6.43: deferred policy acquisition costs by operational segment

One thousand Saudi Riyals	2011	2012	2013	30 June 2014
Vehicle insurance	6,416	5.55	5,034	8,765
Health insurance	-	1,193	4,035	6,052
Property insurance	364	473	564	1,105
Marine insurance	363	223	291	298
Engineering insurance	376	648	507	531

One thousand Saudi Riyals	2011	2012	2013	30 June 2014
General accident and liability insurance	97	85	100	383
Total	7,616	8,172	10,531	17,134
Key performance indicators				
Deferred/paid acquisition costs during the year				
Vehicle insurance	56.30%	35.70%	44.10%	Not applicable
Health insurance	-	72.00%	42.60%	Not applicable
Property insurance	29.80%	33.90%	30.20%	Not applicable
Marine insurance	23.10%	14.50%	22.70%	Not applicable
Engineering insurance	64.00%	94.90%	73.50%	Not applicable
General accident and liability insurance	24.50%	21.30%	21.30%	Not applicable
Total ratio	50.20%	38.50%	41.80%	Not applicable

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G and management analysis

Policy acquisition costs are deferred over the actual number of days (known as the 365 days method), which is in line with insurance premiums except marine insurance where policy acquisition costs are deferred using the last three months method, that is the costs for the last three months of financial period are considered fully deferred.

Of total deferred costs, deferred policy acquisition costs for vehicle insurance accounted for the highest ratio at 84.2% as on 31 Dec 2011G , 67.9% as on 31 Dec 2012G, 47.8% as on 31 Dec 2013G, 51.1% as on 30 June 2014G, followed by deferred policy acquisition costs for health insurance which accounted 38.3% as on 31 Dec 2013G, 35.3% as on 30 June 2014G, which is in general commensurate with change in total written premiums and unearned premium reserve.

Technical provisions (reserves)

Table 6.44: technical reserves and share of reinsurance

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited)
Unreported incurred claims	(5,558)	(24,983)	(29,525)	(26,337)
Suspended claims	(27,632)	(38,644)	(53,161)	(67,872)
Claim expense reserve	(568)	(1,833)	(2,041)	(2,472)
Total outstanding claims	(33,758)	(65,46)	(84,727)	(96,681)
Premium deficit and catastrophe reserve	(2,445)	(2,652)	(4,802)	(9.46)
Unearned premium reserve	(45,328)	(91,952)	(124,83)	(184,186)
Total technical reserve	(81,531)	(160,064)	(214,359)	(290,327)
Reinsurance share of unreported incurred claims	1,792	6,821	12,345	10,119
Reinsurance share of suspended claims	14,63	20,969	26,421	32,777
Reinsurance share of outstanding claims	16,422	27,79	38,766	42,896
Reinsurance share of unearned premiums	12,804	21,637	28,037	22,766
Total reinsurance share	29,226	49,427	66,803	65,662
net technical reserve	(52.305)	(110.637)	(147.556)	(224.665)

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G and actuarial reports

After it receives report of actuarial expert, the Company adjusts technical reserves to reflect estimates in the report on quarterly and annual basis and in line with article 20 of the implementation manual, cooperative insurance companies control law.

Net Technical reserve as at the end of 2013G amounted to 147.6 million Riyal, an increase of 33% compared with 2012G. Of the total, net technical reserve for vehicle insurance accounted for 51%, followed by health insurance (26%).

Reanalysis of technical reserves for 2012G, and at end of 2013G by the actuarial expert showed that there is deficit in the adequacy of property insurance reserve. The reason is that claims for this type of insurance is few and not stable which results in fluctuations in reserves.

The actuarial expert reanalyzed technical reserves for 2013G, and as in March 2014G, and stated that Company has in general a reserve surplus equal to 19%. However, examining insurance segments in detail showed reserve deficit for group life insurance and engineering insurance equal to 1.9 thousand Riyals and 131 thousand Riyals respectively.

The actuarial expert report concluded that Company technical reserves are sufficient on aggregate basis, and that Company is capable of meeting its future obligations. The report recommended the inclusion of premium deficit reserve with respect to the car insurance technical reserve. The Company did this in the audited financial statements for 2012G, 2013G, and period ending on 30 June 2014G.

Table 6.45: ratio of net technical provisions of total by operational sector

	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited)
Vehicle insurance	88.00%	84.30%	51.20%	65.90%
Health insurance	-	7.20%	25.80%	29.10%
Property insurance	1.90%	1.30%	9.80%	1.20%
Marine insurance	5.80%	5.40%	5.80%	2.20%
Other insurance	4.30%	1.80%	7.40%	1.60%
Total	100%	100%	100%	100%

Management analysis

Table 6.46: analysis of total outstanding claims by operational segment

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited)
Vehicle insurance	12,632	14,001	23,728	30,886
Health insurance	-	1,703	4,571	2,669
Property insurance	3,011	8,565	10,03	16,061
Marine insurance	4,012	9.69	7,323	8,865
Other insurance	8,215	4,685	7,509	3,291
Suspended claims	27,632	38,644	53,161	67,872
Vehicle insurance	3,583	18,584	12,703	11,264
Health insurance	-	821	9,601	8,296
Property insurance	317	2,004	4.15	2,173
Marine insurance	824	2,403	1,267	1,066
Other insurance	834	1,171	1,804	3,538
Unreported incurred claims	5,558	24,983	29,525	26,337
Vehicle insurance	334	978	1,078	1,239
Health insurance	-	-	-	-
Property insurance	57	317	425	547
Marine insurance	91	363	258	298
Other insurance	85	175	280	388
Claim expenses reserve	568	1,833	2,041	2,472
Total outstanding claims	33,758	65,46	84,727	96,681

Source: SAMA report forms for Company

Table 6.47: analysis of net outstanding claims by operational sector

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited))
Vehicle insurance	10,254	12,558	20.8	28,346
Health insurance	-	511	1.76	1,755
Property insurance	545	535	781	1.07
Marine insurance	1,252	3,516	2,418	2.93
Other insurance	951	555	981	994
Suspended claims	13,002	17,675	26,74	35,095
Vehicle insurance	3,401	16,77	12,222	11,142
Health insurance	-	242	3,948	4,162
Property insurance	26	131	356	152
Marine insurance	209	877	435	385
Other insurance	130	142	219	377
Unreported incurred claims	3,766	18,162	17.18	16,218
Vehicle insurance	334	978	1,078	1,239
Health insurance	-	-	-	-
Property insurance	57	317	425	547
Marine insurance	91	363	258	298
Other insurance	85	175	280	388
Claim expenses reserve	568	1,833	2,041	2,472
Total outstanding claims	17,336	37,67	45,961	53,785

Source: SAMA report forms for Company

Outstanding claims consist of suspended claims, unreported incurred claims, and claim expenses reserve. The Company depends on the actuarial expert in evaluating and estimating unreported incurred claims reserve, and claim expenses reserve. For analysis purpose, we relied on net outstanding claims.

Net outstanding claims increased from 17.3 million Riyal at end of 2011G to 46 million Riyal at end of 2013G (53.8 million Riyal as on 30 June 2014G). Of net outstanding claims, vehicle insurance at end of 2013G accounted for 74% (81% at end of 2011G and 2012G). The increase in net outstanding claims at end of 2013G is due to increase in net outstanding claims for health insurance (5 million Riyal) and vehicle insurance (3.7 million Riyal). The increase in net outstanding claims between 2011G and 2012G was recorded in vehicle insurance (16.3 million Riyal) and marine insurance (3.2 million Riyal). The increase in vehicle insurance by 16.3 million Riyal is due mostly (13.4 million Riyal) to increase in net unreported incurred claims as estimated by the actuarial expert because of the increase in vehicle insurance volume for 2012G compared to 2011G .

Table 6.48: analysis of unearned premiums by operational sector

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited)
Vehicle insurance	(30,314)	(60,983)	(67,532)	(98.03)
Health insurance	-	(15,319)	(41,195)	(61,583)
Property insurance	(3.93)	(4.6)	(6.21)	(11,511)
Marine insurance	(4,986)	(3.61)	(3,542)	(5,097)
Other insurance	(6,098)	(7.44)	(6,351)	(7,965)
Total unearned claims	(45,328)	(91,952)	(124,83)	(184,186)
Vehicle insurance	618	524	528	1

One thousand Saudi Riyals	31 Dec 2011 audited	31 Dec 2012 audited	31 Dec 2013 audited	30 June 2014 (unaudited)
Health insurance	-	8.12	13,493	2,082
Property insurance	3,674	4,266	5,809	10,594
Marine insurance	3,489	2,424	2,524	3,752
Other insurance	5,023	6,303	5,683	6,337
Reinsurance share of unearned claims	12,804	21,637	28,037	22,766
Vehicle insurance	(29,696)	(60,459)	(67,004)	(98,029)
Health insurance	-	(7,199)	(27,702)	(59,501)
Property insurance	(256)	(334)	(401)	(917)
Marine insurance	(1,497)	(1,186)	(1,018)	(1,345)
Other insurance	(1,075)	(1,137)	(668)	(1,628)
Net unearned claims	(32,524)	(70,315)	(96,793)	(161,42)
Ratio of net unearned premiums of net insurance premiums (without excess of loss premiums)	48.10%	37.90%	47.50%	* 57.3%

Source: SAMA report forms for Company and management analysis

*the ratio was computed as on 30 June 2014G on annual basis, i.e. by dividing by net insurance premiums one year back.

Unearned premiums reserve is the reserve allocated by the Company at end of financial year to meet extended liabilities or claims that may arise from insurances that are effective at end of year, and under which insurance term extends to the following year.

Net unearned premium reserve as at the end of 2013G was 96.8 million Riyal, an increase of 37.6% compared to 2012G. The reason is the increase in health insurance net reserve due to underwriting in health insurance premiums in 2013G. The reason for increased reserve as on 30 June 2014G compared with year 2013G is due to increase in vehicle insurance reserve by 46.3%, and health insurance reserve by 114,8% as a result of change in health reinsurance and the retaining of total premiums.

Unearned reinsurance commission

Table 6.49: movement in unearned reinsurance commission

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Opening balance	1,839	3.41	3,621	3,806
Received during the year	11,403	11,653	14.33	7,559
Earned during the year	(9,832)	(11,442)	(14,145)	(5,876)
Closing balance	3.41	3,621	3,806	5,489
Key performance indicators				
Unearned /received commission during the year	30.00%	31.10%	26.60%	Not applicable

Source: audited financial statements and management analysis

Table 6.50: unearned reinsurance commission by operational sector

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Vehicle insurance	83	40	40	-
property insurance	855	1,057	1,312	2,414
Marine insurance	1.24	904	919	1,357
Engineering insurance	1,028	1,449	1,312	1,175

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
General accident and liability insurance	204	171	223	543
Total	3,41	3,621	3,806	5,489
Key performance indicators				
Unearned /received commission during the year				
Vehicle insurance	35.80%	-	47.10%	Not applicable
property insurance	33.00%	36.30%	31.30%	Not applicable
Marine insurance	21.40%	14.30%	19.90%	Not applicable
Engineering insurance	51.90%	85.00%	72.60%	Not applicable
General accident and liability insurance	25.90%	22.10%	23.50%	Not applicable
Total ratio	30.00%	31.10%	26.60%	Not applicable

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G and management analysis

Reinsurance commission is deferred by the method of 365 days, which is line with reinsurance premiums except marine insurance where reinsurance commission is deferred using the last three months method.

Of total unearned commissions, unearned reinsurance commission for marine insurance and engineering insurance accounted for the highest ratio (36.4%, and 30.1% as on 31 Dec 2011G) due to high rates of received commissions in both sectors. Also unearned reinsurance commission for property insurance and engineering insurance accounted for the highest ratio of total unearned commissions at 29.2% and 40% as on 31 Dec 2012G, 34.5% and 34.5% as on 31 Dec 2013G. This is because these rates are correlated with change in reinsurance operations volume especially the proportional.

Unearned reinsurance commission for property insurance and marine reinsurance accounted for highest ratio of the total at 44% and 24.7% as on 30 June 2014G. The reason is the high concentration of marine reinsurance premiums in the first half of 2014G within the proportional method at 95.8%, which gives higher reinsurance commission compared to other reinsurance methods. The same applies to property insurance at 45.9%.

Statement of changes in shareholders' equity

Table 6.51: statement of changes in shareholders' equity

One thousand Saudi Riyals	Share Capital	Accumulated losses	Change in fair value	Total
Balance as on 1 Jan 2011	130	(28,991)	-	101,009
Net loss	-	(15,775)	-	(15,775)
Other comprehensive loss	-	-	(105)	(105)
Balance as on 31 Dec. 2011	130	(44,766)	(105)	85,129
Balance as on 1 Jan 2012	130	(44,766)	(105)	85,129
Net loss	-	(19,001)	-	(19,001)
Other comprehensive revenues	-	-	1,091	1,091
Balance as on 31 Dec. 2012	130	(63,767)	986	67,219
Balance as on 1 Jan 2013	130	(63,767)	986	67,219
Net income	-	5,038	-	5,038
Other comprehensive loss	-	-	(1,776)	(1,776)
Balance as on 31 Dec. 2013	130	(58,729)	(790)	70,481
Balance as on 1 Jan 2014	130	(58,729)	(790)	70,481
Net income	-	2,223	-	2,223
Other comprehensive revenues	-	-	935	935

One thousand Saudi Riyals	Share Capital	Accumulated losses	Change in fair value	Total
Balance as on 30 June 2014	130	(56,506)	145	73,639
Key performance indicators				
Ratio of accumulated losses of capital	34.40%	49.00%	45.20%	43.50%

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G

Company share capital is 130 million Riyal divided into 13 million ordinary shares, at value of 10 Riyals per share.

Company accumulated losses were 34.4% of capital as on 31 Dec 2011G, and increased to 49% as on 31 Dec 2012G due to increased net losses in 2012G, but decreased to 45.2% as on 31 Dec 2013G due realized net profit in 2013G. Accumulated losses as on 30 June 2014G were 43.5% of total Company capital.

Statement of cash flows

Table 6.52: Statement of cash flows (insurance and shareholders operations)

Saudi Riyal	2011 audited	2012 audited	2013 audited	30 June 2014 (un audited)
Insurance operations				
Operating activities				
Net year result	(13,390,342)	(17,722,721)	733,14	350,377
Surplus transferred to shareholders' operations	-	-	6,598,260	3,153,394
Depreciation	1,637,885	1,827,744	2,063,002	745,704
Provision for employees' end of service benefits	567,337	734,06	750,837	529,678
(Reversal of) allowance for doubtful debts	2,596,135	(2,277,933)	49,592	4,864,601
Special commission income from time deposits	(65,145)	(585,65)	(700,508)	(629,293)
Special commission income from investments	-	(69,613)	(567,264)	(106,84)
Dividends	-	-	-	(144,388)
Realized loss from available for sale investments	-	-	98,74	(1,354,833)
(Gain) loss on disposal of property and equipment	(34,755)	28	(149)	(17,701)
Premiums and reinsurance balances receivable	(14,028,540)	8,305,949	3,943,638	(32,601,460)
Prepayments and other assets	422,988	(3,615,919)	(5,338,714)	(4,130,119)
Reinsurers' share of outstanding claims	15,719,179	(11,367,884)	(10,976,086)	1,626,062
Deferred policy acquisition costs	(6,337,025)	(556.1)	(2,359,064)	(6,602,213)
Reinsurers' share of unearned premiums	(5,804,129)	(8,832,466)	(6,400,614)	5,271,646
Gross outstanding claims	(15,032,284)	31,701,329	19,267,812	11,953,339
Reinsurance and insurance balances payable	(6,163,143)	8,773,309	(2,340,432)	5,146,110
Accrued expenses and other liabilities	2,582,856	3,366,818	1,170,733	1,062,524
Unearned reinsurance commission	1,571,336	210,723	184,793	1,682,770
Gross unearned premiums	30,062,437	46,624,193	32,877,913	59,355,985
Other reserves	2,444,663	207,496	2,149,987	4,658,441
Employees' end of service benefits paid	(444,424)	(46,582)	(170,705)	(31,776)
Net cash from operating activities	(3,694,971)	56,676,781	41,034,911	54,782,008
Investments activities				

Saudi Riyal	2011 audited	2012 audited	2013 audited	30 June 2014 (un audited)
Time deposits	-	-	-	(59,000,013)
Purchase of property and equipment	1,009,717))	(1,065,000)	(903,339)	(958,486)
Purchase of available for sale investments	-	(8,041,572)	(2,398,868)	(22,692,176)
Proceeds from sale of available for sale investments	-	-	10,440,440	9,773,986
Purchase of held to maturity investments	-	-	(8,000,000)	-
Special commission income from time deposits	65,145	585,65	700,508	629,293
Special commission income from investments	-	69,613	567,264	106,84
Realized loss from available for sale investments	-	-	-98,74	144,388
Proceeds from disposal of property and equipment	34,755	5,025	1,86	17,701
Net cash from (used in) investing activities	(909,817)	309,125	(8,446,284)	(71,978,467)
Financing activity				
Due to shareholders' operations	19,832,794	(62,496)	(3,655,197)	(428,483)
Net cash used in financing activity	19,832,794	(62,496)	(3,655,197)	(428,483)
Increase (decrease) in cash and cash equivalents	15,228,006	48,168,001	37,688,839	(17,624,942)
Cash and cash equivalents at beginning of the year	20,445,582	35,673,588	83,841,589	121,530,428
Cash and cash equivalents at end of the year/period	35,673,588	83,841,589	121,530,428	103,905,486
Shareholders operations				
Operating activities				
Income (loss) before zakat	(14,024,610)	(17,783,041)	7,443,352	3,323,336
(Surplus) deficit transferred from insurance operations	13,390,342	17,722,721	(6,598,260)	(3,153,394)
Special commission income from time deposits	(578,962)	(321,687)	(288,488)	(139,4270)
Special commission income from available for sale investments	(825,274)	(1,194,212)	(1,134,241)	(507,884)
Realized gain from available for sale investments	(26,975)	(840,823)	(1,613,253)	(573,753)
Prepayments and other assets	(788,369)	(13,952)	575,268	(290,501)
Statutory deposit	-	(110,708)	(46,393)	(86,709)
Accrued expenses and other liabilities	1,549,511	(40,324)	323,553	(76,471)
Due to a related party	19,731	(66,497)	28,037	(10,565)
Zakat paid	(145,525)	-	(2,111,164)	-
Net cash used in operating activities	(1,430,131)	(2,648,523)	(3,421,589)	(1,515,368)
Investing activities				
Special commission income from time deposits	578,962	321,687	288,488	139,427
Special commission income from available for sale investments	825,274	1,194,212	1,134,241	507,884

Saudi Riyal	2011 audited	2012 audited	2013 audited	30 June 2014 (un audited)
Purchase of available for sale investments	(38,001,783)	(19,025,330)	(48,877,553)	(3,771,587)
Proceeds from sale of available for sale investments	3,753,637	20,586,908	26,874,265	(7,972,732)
Net cash (used in) from investing activities	(32,843,910)	3,077,477	(20,580,559)	4,848,456
Financing activity				
Due to (from) insurance operations	(19,832,794)	62,496	3,655,197	428,483
Net cash (used in) from financing activity	(19,832,794)	62,496	3,655,197	428,483
(Decrease) increase in cash and cash equivalents	(54,106,835)	491,45	(20,346,951)	3,761,571
Cash and cash equivalents at the beginning of the year	87,486,216	33,379,381	33,870,831	13,523,880
Cash and cash equivalents at the end of the year/period	33,379,381	33,870,831	13,523,880	17,285,451

Source: audited financial statements for 2011G, 2012G, 2013G and unaudited statements for first half of 2013G and 2014G

Cash and cash equivalents from insurance operations increased from 35.6 million Riyal as on 31 Dec. 2011G to 83.8 million Riyal as on 31 Dec 2012G due to positive cash flows of 56.7 million Riyal. The reason was increased activity of Mandatory individual premiums. Cash and cash equivalents from insurance operations in 2013G increased to 121.5 million Riyal due positive cash flows of 41 million Riyal. The reason was increased activity of Mandatory health insurance.

Net cash used in investment activities for insurance operations increased from 0.9 million Riyal as on 31 Dec 2011G to 8.4 million Riyal as on 31 Dec 2012G. The reason was Company investment of 8 million Riyal in Islamic sukuk portfolio in mid-2012G. The reason for increased net cash from investment operations as on 31 Dec 2013G was the selling of Islamic sukuk portfolio bought in 2012G. The reason for the sharp increase in net cash used in investment activities as on 30 June 2014G was investment operations in Muarabah or term deposits that are consistent with Islamic law (59 million Riyal) and investment in local stock portfolio (13 million Riyal) managed by a licensed local financial firm.

Financing activities represent cash amounts paid by shareholders operations on behalf of insurance operations or vice versa. In 2011G, insurance operations were financed by an amount of 19.8 million Riyal from shareholders operations to settle two large claims during 2011G (claim by Sadafco Company 12.3 million Riyal and claim by Baqader Establishment 3.2 million Riyal). Later in 2012G and 2013G insurance operations were able to finance their operations from their own cash flows. In 2013G, insurance operations paid zakat 2.1 million Riyal on behalf of shareholder's operations.

Cash and cash equivalents for shareholders operations decreased from 33.9 million Riyal as on 31 Dec 2012G (33.4 million Riyal as on 31 Dec. 2011G) to 13.5 million Riyal as on 31 Dec. 2013G due to the net cash used in investment operations when the Company invested 25.9 million Riyal in local real estate and trading funds consistent with Islamic law and 1.4 million Riyal in local shares.

Solvency margin

Table 6.53: Assets accepted in solvency margin account (total insurance operations and shareholders operations)

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Cash and cash equivalents	69,053	117,712	135,054	121,191
Time deposits	N.A	N.A	N.A	59
Insurance and reinsurance balances receivable (0 to 90 days)	15,996	17,703	12,217	28,451
Due from shareholders operations	N.A	-	-	-
Available for sale investments	12,411	15,884	30,19	59,175
Reinsurers share of outstanding claims	16,422	27,79	38,766	42,896
Prepayments and other assets	433	2,874	8,498	6,815
Deferred insurance policy acquisition costs	7,616	8,172	10,531	17,134

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Reinsurers share of unearned premiums	12,804	21,637	28,037	22,766
Investments held to maturity	N.A*	N.A	-	-
Property and equipment, net	5,228	4.46	3,299	3,512
Statutory reserve	13	13,111	13,157	13,244
Due from insurance operations	11,554	N.A	N.A	N.A
Total assets accepted for computing solvency margin	164,517	229,343	279,749	374,184
Ratio of total assets	78.40%	82.10%	83.50%	88.70%

Source: SAMA report forms for the Company

* Not Applicable

Table 6.54: ratio of asset acceptability of total asset (total insurance operations and shareholders operations)

	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Cash and cash equivalents	100%	100%	100%	100%
Time deposits	N.A	N.A	N.A	100%
Insurance and reinsurance balances receivable (0 to 90 days)	42.30%	55.80%	44.00%	51.30%
Due from shareholders operations	N.A	0%	0%	0%
Available for sale investments	36.30%	37.30%	53.50%	86.10%
Reinsurers share of outstanding claims	100%	100%	100%	100%
Prepayments and other assets	20.20%	49.80%	80.70%	74.10%
Deferred policy acquisition costs	100%	100%	100%	100%
Reinsurers share of unearned premiums	100%	100%	100%	100%
Investments held to maturity	N.A*	N.A	0%	0%
Property and equipment, net	100%	100%	100%	100%
Statutory reserve	100%	100%	100%	100%
Due from insurance operations	100%	N.A	N.A	N.A
Assets acceptability ratio of total assets	78.40%	82.10%	83.50%	88.70%

Source: SAMA report forms for Company and management analysis

* Not Applicable

Table 6.55: solvency margin required from the Company

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Minimum share capital method	N.A	N.A	100	100
Total written premiums method	17,094	39.09	42,029	56.56
Liabilities method	N.A	N.A	23.759	8.526
Required solvency margin (higher method)	17,094	39.09	100	100

Source: SAMA report forms for Company

Table 6.56: computing solvency margin

One thousand Saudi Riyals	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 June 2014
Total acceptable assets	164,517	229,343	279,749	374,184
Total liabilities	(124,628)	(211,989)	(263,583)	(346,229)
Net acceptable assets	39,889	17,354	16,166	27,955
Required solvency margin	17,094	39,09	100	100
Solvency margin surplus (deficit)	22,795	(21,736)	(83,834)	(72,045)
Realized solvency margin ratio	233.40%	44.40%	16.20%	28.00%

Source: SAMA report forms for Company

Solvency margin is computed in accordance with articles 65, 66, and 67 of implementation manual, cooperative insurance companies control law, and SAMA report forms approved for this purpose. The above tables show clearly computation method and included assets in the computation.

The realized solvency margin for the Company as on 30 June 2014G was 28% compared with 16.2% as on 31 Dec 2013G, which is less than required margin by the law. Therefore, the main reason behind the expected capital increase is to enable the Company to increase its solvency margin as required by the law.

7. Capitalization and Indebtedness

The Company's share capital is one hundred and thirty million Saudi Riyals (SAR 130,000,000) comprising thirteen million (13,000,000) shares with a nominal value of SAR 10 per share. The Founding Shareholders subscribed to (7.800.000) seven million, eight hundred thousand ordinary shares representing (60%) sixty per cent of the Company's capital, while it offers (5,200,000) five million two hundred thousand ordinary shares for public subscription with a nominal value of ten (SAR 10) ten Saudi Riyals per share with a total value of (SAR 52,000,000) fifty two million Saudi Riyals (representing 40%) forty per cent of the Company's capital during the period from 14/10/1430H (03/10/2009G) and even 20/10/1430 H (09/10/2009G).

Directors confirm that the Company's capital is not covered by any option right, and the Company does not have any debt instruments or term loans other than those mentioned in this Prospectus.

The Company has also received recently approval from SAMA by letter No. 351000123147, dated 24/09/1435H (21/07/2014G) on the Company's capital increase in the amount of (120,000,000) one hundred and twenty million Saudi Riyals through Rights Issue of (12,000,000) twelve million shares. Upon completion of the Offering, the Company's capital will become (SAR 250,000,000) two hundred and fifty million Saudi Riyals divided into (25,000,000) twenty five million ordinary shares with a nominal value of ten (SAR 10) per share.

The Board of Directors' decision was issued on 28/11/1433H (corresponding to 14/10/2012G) recommending to increase the Company's capital to meet its financial needs. The Extraordinary General Assembly held on 12/06/1436 H (01/04/2015) approved the recommendation of the Board of Directors to increase the capital as mentioned. The increase will be limited to eligible shareholders who are registered at the end of trading session on the day of the EGM (Eligibility Date) in accordance with the terms and conditions of this Prospectus (Please refer to the "Offering Terms and Conditions" section in this Prospectus).

Figure 7-1: Capitalization & Indebtedness

Insurance Operations Liabilities		
Due to Reinsurers	21,968,981	27,115,091
Gross Unearned Premiums	124,830,264	184,186,249
Unearned Reinsurance Commission	3,805,866	5,488,626
Gross Outstanding Claims	84,727,336	96,680,675
Other provisions/reserves	4,802,146	9,460,587
Due Payments, Accrued Expenses and Other Liabilities	10,606,738	12,167,164
Accumulated Surplus	733,140	1,083.517
Change in fair value of investments for sale	-	803,441
Total Insurance Operations Liabilities	251,474,471	336,985,360
Shareholders' Liabilities		
Due Zakat and Payable Tax	7,364,263	8,464,570
Amounts Due to Insurance Operations	3,288,847	563,936
Other Liabilities	2,118,784	2,101,748
Total Shareholders' Liabilities	12,841,894	11,130,254
Shareholders' Equity		
Share capital	130,000,000	130,000,000
Accumulated Losses	(58,728,974)	(56,505,945)
Change in fair value of investments for sale	(789.870)	144,789
Total Shareholders' Equity	70,481,156	73,638,844
Total Shareholders' Equity & Liabilities	83,323,050	84,769,098
Total Insurance Operations Liabilities and Shareholders' Equity & Liabilities	334,797,521	421,754,458

Source: Audited Financial Statements for 2013G and reviewed financial statements for the first half of 2014G

The Company's Directors, Board Secretary and Senior Management declare that:

a) Save as stated in the "Capital and Indebtedness" section in this Prospectus, there is no issued or existing instrument, declared and not yet issued instrument or any term loans which is covered or not covered by either a personal guarantee or a mortgage at the date of this Prospectus.

b) Save as stated in the "Capital and Indebtedness" section in this Prospectus, the Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

c) There are no mortgages, rights or encumbrances on the properties of the Company as at the date of this Prospectus.

d) Save as stated in the "Capital and Indebtedness" section in this Prospectus, the Company has no contingent liabilities or guarantees as at the date of this Prospectus.

e) The Company's capital is not under option as of the date of this prospectus.

f) The Company will have sufficient working capital to cover the 12 months following the date of this Prospectus.

g) The Company has not amended its capital for the past three years from the date of this Prospectus.

a) There is no material adverse change in the financial and trading position of the Company during the previous three years directly preceding the request for admission and listing of the new Right Issue Shares in addition to the period covered by the auditor's report until the date this prospectus.

b) There have been no commissions, discounts or intermediation fees, or any non-cash considerations awarded by the Company during the previous three years directly preceding the date of filing the admission and listing application regarding the issuance or offering of any securities, including any proposed Directors, senior executives, offering specialist or experts.

8. Dividend Policy

The Company's dividend policy is in compliance with the rules and regulations of the Cooperative Insurance Companies Control Law and the provisions of the Company's by-laws approved by the Constitutional General Assembly. Article 44 of the Company's By-Laws describes the Company's dividend policy as below:

1. Set aside the determined Zakat and Income Tax.
2. 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
3. The Ordinary General Assembly may, upon request of the Board of Directors, 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.
4. Part of the balance remains after withheld to the statutory reserve shall be distributed to the Shareholders as an initial payment which shall represent not less than 5% of the paid-up capital.
5. The remaining shall be distributed among the Shareholders as a share in the profits or transferred to Retained Earnings account.
6. By resolution of the Board of Directors, periodic profits to be deducted from the annual profits referred to herein above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

Without prejudice to Paragraph 5 of Article 43 of the Company's By-Laws which stipulates that 10% of the surplus shall be directly distributed to the insured persons or be deducted from their premiums for the following year and the remaining 90% be carried-over to the Shareholders' Income Account.

The Company has not yet paid any dividends to the shareholder due to the incurred accumulated financial losses.

9. Description of Shares

9 - 1 Share Capital

The share capital of the Company is SAR 130,000,000 (Saudi Riyals Hundred Thirty Millions) consisting of SAR 13,000,000 shares of equal nominal value of SAR 10 per share, all of which are ordinary shares.

Founding Shareholders subscribed in 7,800,000 (Seven Million Eight Hundred) shares representing 60% of the share capital and paid their value in full. The remaining 52,000,000 (Fifty Two Million) shares representing 40% were offered for public subscription through an IPO.

9 - 2 Decrease of Capital

The Extra-Ordinary Meeting, upon acceptable justifications, subject to the approval of the competent authorities and in line with the requirements of the Cooperative Insurance Companies Law and Implementing Regulations, the Companies Act and CMA Rules may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision 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, or present an adequate guarantee of payment if the debt is due on a later date.

9 - 3 Shares

The shares shall be registered shares. and shall not be issued at less than their par value, but they may be issued at a higher value and in such case the difference shall be added to the Statutory Reserve even though it may have reached the prescribed maximum. The shares shall be indivisible vis-à-vis the Company. In case a share is owned by several persons, they shall delegate one of them to exercise the rights pertaining to the share. Such persons shall be jointly liable for the obligations accruing from the shareholding. Transfer of shareholding shall be subject to the rules and regulations applicable to companies listed in the Saudi Capital Market (TADAWUL), and any transfer of withholding made contrary to such rules will be null and invalid.

The company's shares are tradable in accordance with the rules and regulations issued by CMA. However, the shares subscribed for by the founding shareholders will not be tradable for 3 full years not than twelve months each (Restriction Period) from the date of incorporation. The approval of CMA and SAMA must be obtained for the sale of any shares of constituent shareholders after the expiry of restriction period.

The Company's by-laws are silent about any recovery or repurchase rights regarding the Company's shares.

9 - 4 Shareholders Rights

Excluding the constituent General Meeting which each subscriber whatever the number of his shares shall have the right to attend, each shareholder holding title to at least twenty shares shall have the right to attend the ordinary or extraordinary General Meeting personally or by proxy. A shareholder may delegate another shareholder who is not a director or an employee of the company to attend the General Meeting by a written proxy to attend the General Meeting on his behalf.

9 - 5 Voting Rights

Each Shareholder holding 20 shares or more will have the right to attend and vote at the General Assembly personally or by proxy. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf. Each share represented in the meeting has only one vote in the general assembly meetings. However, voting for election of the Directors of the Board shall be in line with the accumulative voting rules.

Resolutions of an EGM shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another company or establishment (Subject to SAMA approval). In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Any shareholder shall have the right to discuss the matters put on the Agenda of the General Meeting as well as to address pertinent questions to the Directors and the Auditors. The Directors and Auditors shall answer shareholders' questions to such an extent that would not jeopardize the Company's interest. In case a shareholder feels that the answer to his question is unsatisfactory he may appeal to the General Meeting whose decision shall be final in this respect.

9 - 6 General Meetings

A valid General Meeting represents all the shareholders. It shall be held in the town where the Head Office of the Company is located. General Meetings will be ordinary or Extra-Ordinary. 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. General Meeting shall be convened at the instance of the Board of Directors. The Board of Directors shall convene the Ordinary General Meeting if requested to do so by the Auditors or by a number of shareholders representing at least 5% (five per cent.) of the Share Capital. The Companies Department of the Ministry of Commerce and Industry, if requested by shareholders holding not less than 2% of the Company's capital, or at a resolution by the Minister of Commerce, may call the General Meeting to convene, if the Board did not call for the holding of such general meeting within a month of the date fixed for that purpose.

The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions which may not be altered under the Companies Law. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter. The notice of General Meeting shall be published in the official Gazette and in a daily newspaper circulating in the locality of the Company's Head Office at least twenty-five days prior to the date fixed for the meeting.

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half of the 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 days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of Companies Act. The second meeting shall be valid irrespective of the number of shares represented therein.

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting in the manner prescribed in the preceding Article. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital

The General Meetings shall be presided over by the Chairman of the Board or the Director acting as ad hoc Chairman. The Chairman shall nominate the Secretary of the Meeting and one scrutineer. Minutes shall be written for the meeting showing the names of shareholders present or represented thereat, the respective shares they hold personally or by way of proxy, the number of votes allotted thereto, the resolutions adopted, the number of votes for or against them and an adequate resume of the discussions which took place thereat. Such minutes shall be recorded after each meeting in a special book and signed by the Chairman, the Secretary and the scrutineer of the Meeting

9 - 7 Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of the Ministerial resolution of MOCI declaring its incorporation. The term of the Company may be extended by a resolution adopted by an EGM at least one (1) year prior to the expiration of the term of the Company subject to obtaining the approvals of SAMA and CMA. Details of CR indicate the Company term will end by 27.12.2108G.

9 - 8 Winding-Up of the Company

Upon expiry of term or In case it is decided to dissolve the Company before the expiry of its term, the Extra-Ordinary General Meeting shall, upon the suggestion of the Board of Directors, determine the mode of the winding up, appoint one or more liquidators and determine their powers and remuneration.

The powers of the Board of Directors shall cease upon the dissolution of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's other organs shall retain their respective powers to the limits that are not incompatible with the powers of the liquidators. Upon liquidation, consideration must be given to protect shareholders rights to oversubscription surplus and reserves built as per the provisions of By-Laws.

10. Use of Proceeds

10 - 1 Net Proceeds

The total gross proceeds from the Rights Issue Offering are estimated at SAR 120 million, out of which SAR 5 million is expected to be the expenses relating to the Offering, including fees of each of the financial advisor, legal advisor, in addition to the Receiving Banks, Lead Manager, Underwriter, the marketing expenses, printing and distribution expenses and other offering related expenses.

The net proceeds of the Offering are hence expected to be SAR 115 million, after deducting all the expenses related to the Offering. The Company intends to use these proceeds to cover the solvency requirements, financing of expansion plans in insurance plans by increasing the Company's market share of available placements and future opportunities in the local market. The Company's Shareholders will not receive any proceeds resulting from the Offering.

10 - 2 Use of Net Proceeds

Insurance companies in the Kingdom of Saudi Arabia conduct their business in accordance with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations as amended by SAMA from time to time. The above Law and regulations stipulate that an insurance company shall maintain a Minimum Solvency Margin by adopting the highest of the following three amounts:

- Minimum Capital Requirement
- Total premiums subscribed
- Claims

An insurance company needs to assess its assets for calculating the actual solvency margin so that the Net Admissible Assets are at a minimum of the above mentioned solvency Margin, This requirement translates into a minimum Solvency Margin Cover (Net Admissible Assets of 100%.

The Company's Solvency Margin Cover position was as follows:

Figure 10.1: the Company's Solvency Margin Cover Position

Description	SAR 000,		
	As of 31 Dec 2013	As of 30 June 2014	As of 30 Sep 2014
Minimum Capital Requirement Method	100,000	100,000	100,000
Total Premiums Subscribed Method	42,029	56,560	65,208
Claims Method	23,759	8,526	9,258
Solvency Margin required	100,000	100,000	100,000
Net Admissible Assets	16,165	27,955	22,127
Solvency Margin %	16.16%	27.95%	22.13%

Source: The company

The expected contribution of net subscription proceeds in the maintenance of the required solvency margin in the years to come is as follows:

Figure 10-2: Expected contribution of net subscription proceeds in the calculation of solvency margin *

As of 31 Dec (SAR 000,)	2014	2015	2016	2017	2018
Minimum Capital Requirement Method	100,000	100,000	100,000	100,000	100,000
Total Premiums Subscribed Method	55,146	61,236	66,293	70,392	74,448
Claims Method	35,323	39,969	46,771	51,502	55,217
Solvency Margin required	100,000	100,000	100,000	100,000	100,000
Expected before capital increase					
Net Admissible Assets	7,361	8,227	14,382	23,357	34,125

As of 31 Dec (SAR 000,)	2014	2015	2016	2017	2018
Solvency Margin %	7%	8%	14%	22%	24%
Expected after capital increase					
Net Admissible Assets	144,963	149,354	158,944	171,092	185,225
Solvency Margin %	145%	149%	159%	171%	185%

Source: The Company

* Amounts stated hereinabove are extracted from the operation plan and balance sheet submitted to SAMA in order to obtain approval for capital increase; they are approximate numbers based on the balance sheet prepared for the years to come.

In compliance with Paragraph C of Article 30 of the Listing Rules the Company will submit quarterly report about usage of the proceeds of Rights Offering and the usage developments will be declared to public individual and corporate investors.

In compliance with the Cooperative Insurance Companies Control Law and implementing rules the statutory deposit should represent 10% of the paid up capital, therefore the company will allocate SAR 12,000,000 (Saudi Riyals Twelve Million) as a statutory reserve after the capital increase to be invested by SAMA with the returns payable to SAMA.

The Company intends to use the net proceeds of capital increase (after deducting the statutory deposit and offering expenses), which is estimated at SAR 103,000,000 to strengthen the company's solvency by heavily investing tin high solvency short term investments such as deposits, Murabahas, low-risk investment funds, with banks licensed to operate in the Kingdom, fixed income investments (Securities and Sukuk) in addition to investment in the shares of listed companies. All such investments must be in line with the implementing rules and investment regulations issued by SAMA. It should be noted that the investment decision may change from time to time in accordance with the solvency ratios and margin which will be achieved by the company after the capital increase. The following table reflects total offering proceeds and proposed usages:

Figure 10.3: Use of Offering Proceeds

Description	Amount (SAR 000)
Total Offering proceeds	120,000
Expected offering expenses	(5,000)
Net Offering proceeds	115,000
Statutory Deposit	(12,000)
Balance offering proceeds	102,000
The balance of offering proceeds will be used to solvency margin requirements which is expected to be invested as follows:	63,000 (at least)
Deposits and Murabahas with banks	10,000 (maximum)
Investment funds	15,000 (maximum)
Fixed income investments (Securities and Sukuk)	15,000 (maximum)
Equities in the Saudi Capital Market	103,000
Total	

Source: Company

11. Experts Statement

None of the advisors whose names appear in pages F & G in this Prospectus any statements that must be included in the Prospectus. The Financial Advisor, Legal Advisor, Reporting Auditors, Due Care Advisor have and Actuarial Expert have given and not withdrawn (until the date of the Prospectus) their written consent to the publication of their names, addresses and logos in the Prospectus. None of the above advisors or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

12. Declarations

The Company's Directors, Board Secretary and Senior Management declare that:

- There has been no interruption in the Company or its affiliate business that may affect or have a significant impact on its financial situation during the twelve months preceding the date of this Prospectus;
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company or its affiliate in the last three years immediately preceding the date of this Prospectus;
- There has been no material adverse change in the financial position or prospects of the Company or its affiliate during the three years preceding the year of application and listing, in addition to the period covered by the certified public accountants report and until the approval date of the Prospectus.
- They do not themselves, nor do any relatives or affiliates, have any direct or indirect interest in the Company's shares or debt instruments except as stated in the Directors' table, page (D) and section 5-2 (Board Members) in this Prospectus.;
- They have not at any time been declared bankrupt or been subject to bankruptcy or insolvency proceedings;
- No insolvency has been declared during the last 5 years for any company in which a Director, a senior executive or the Board Secretary has been appointed in it in a supervisory or managerial position.
- Save as disclosed in "Legal Information" section "Contracts and Transactions with Related Parties" of this Prospectus, neither themselves, nor their relatives have any interest or material contracts or arrangements, ongoing, written or unwritten, or intended contracts, which have significant impact on the Company. They do not have any powers that entitle them to vote on such transactions, except Board Members that hold shares in the Company. (Please see the table of Directors, page (E), and section 5.2 "Board of Directors" in this Prospectus.
- Audited financial statements and accompanying notes have been prepared in accordance with IFRS and audited accounting standards recognized in Saudi Arabia as issued by Saudi Organization for Certified Public Accountants (SOCPA). The Board hereby ascertain that all information has been disclosed in a fair manner;
- The Company has not given any cash loan to any Directors and has not and will not guarantee any loan contracted between a director and a third party in compliance with Article 71 of the Companies Regulations.
- Until the date of this Prospectus, the Company does not have any mortgages, rights or encumbrances over properties except as disclosed in (Legal Information) section of this Prospectus;
- They will abide by the provisions of both Articles (69) and (70) of the Companies Regulations with regard with contracts in which they have direct or indirect interest:
  - All contracts with related parties shall be presented to the Board for approved and then to the Ordinary General Meeting for adoption. The related Director shall refrain from voting in the Board or the General Meeting;
  - Shareholders, Founding Shareholders and Directors shall confirm that they are competing with the Company business and they are dealing with related parties on arm-length basis;
  - The Company's By-Laws do not give any Director or CEO the right to vote on any contract or proposal in which he has an interest. It also does not authorize any of them to vote on their special awards/ bonuses or give any authority to the Directors or Senior Executives to borrow from the Company;
- Directors declare that there is no intention or direction to make any material change in the nature of Company's business;
- The Company does not have in place any policies or material information relating to research and development for new products or production methodologies during the past 3 years directly preceding the date this Prospectus. Currently there are no employment contracts, existing or proposed, with Directors as at the date of this Prospectus.
- As of the date of this Prospectus, the Company and its affiliate are not affiliated to any group and they are not engaged in any business inside or outside Saudi Arabia.
- There have not been any amendment to the capital by increase or decrease during the past 3 years preceding directly the application for admission and listing of the Rights Issue

Directors' declarations regarding Financial Statements

"Management Discussion and Analysis of the Financial Conditions of the Company and its Results of Operations" Section has been prepared by the Company's Management and Approved by the Board. Save as stated in this Prospectus, the management believes that there is no material change on the financial statements and future prospects since the date of this Prospectus.

The Board assumes full responsibility on the accuracy and credibility of financial information and analysis and confirms that it has conducted all necessary measures, and has made full and fair disclosure regarding such data. Further, there is no other information or documents, the omission of which may render the financial statements misleading in any manner.

13. Summary of the Company's By-laws

The Company's by-laws include the following items and the complete version of the by-laws will be available for inspection at the Company's Head office. There are many procedures that require SAMA's approval including but

not limited to increase or decrease of capital, dividends distribution and transfer of founding shareholders shares, merger with other company, company liquidation and appointment of directors.

Incorporation:

There is hereby established between the shareholders concerned a Saudi Joint stock company set up in accordance with the provisions of the Cooperative Insurance Companies Supervision Law, Companies Act and Implementing Regulations as well as these By-Laws.

Name of Company

Buruj Cooperative Insurance Company

Objectives of the Company

The objective of the Company is to engage in cooperative insurance operations and all related activities, such as reinsurance, agencies, representations, correspondence and brokerage, all in accordance with the provisions of the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules and regulations in force in the Kingdom. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or investing its funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it or in participating in other entities.

The Company may acquire or have interest or participate in any way with the institutions conducting similar activities or financial activities and which help the company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia.

Participation in other companies:

The Company may acquire or have interest or participate in any way with the institutions conducting similar activities or financial activities and which help the company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia

The Company's Head Office

The Company's head office is located in the city of Riyadh

Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of the Ministerial resolution of MOCI declaring its incorporation. The term of the Company may be extended by a

resolution adopted by an EGM at least one (1) year prior to the expiration of the term of the Company.

Share Capital

The share capital of the Company is SAR 130,000,000 (One Hundred Thirty Million Saudi Riyals); divided into 13,000,000 (Thirteen Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals).

Subscription in Share Capital

The founding shareholders subscribed for 6,000,000 shares representing 60% of the share capital and paid their value in full. The remaining 4,000,000 shares representing 40% were offered for public subscription through an IPO.

Decrease of Capital

The Extra-Ordinary Meeting, upon acceptable justifications, subject to the approval of the competent authorities and in line with the requirements of the Cooperative Insurance Companies Law and Implementing Regulations, the Companies Act and CMA Rules may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision 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, or present an adequate guarantee of payment if the debt is due on a later date.

Transfer of Shares

The shares shall be transferable in accordance with the rules, regulations and directives issued by CMA. As an exception to the foregoing, the cash shares subscribed to by the founding shareholders shall not be transferable before publishing the balance sheet and the profit and loss statement for two full fiscal years, each consisting of 12 months from the date of incorporation of the Company. Such provisions shall apply to any shares subscribed for by the founding shareholders in case of increasing the Company's capital before the lapse of the prohibition period. However, cash share may be transferred during the restriction period in compliance with the rights selling provisions from one founder to another or to any Board member to serve as qualification shares or from the heirs of any founders to any third party in case of death.

Board of Directors

The Company shall be managed by a Board of Directors consisting of eleven (7) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. The term of the first Board of Directors shall extend for 3 years commencing from the date of Ministerial resolution declaring the incorporation of the company. On 07.01.2013G, the Extra-Ordinary General Assembly approved amendment of Article 13 (Company Management) of the By-Laws for decrease of the number of Board directors from 10 to 7 directors.

The Company may, subject to SAMA approval, enter into an agreement to manage the technical services of the company with one or more insurance qualified companies.

Directors Term and Vacancy:

The office of a Director shall be vacated with the end of its term; upon resignation or death of the Director, or if he becomes disqualified from holding office under any law in force in the Kingdom of Saudi Arabia or as approved by the General Assembly. If the Office or a Director is vacated during the year, the Board shall have the authority to appoint a temporary in his place provided such appointment is made before the first next meeting of the General Assembly. The new director shall complete the term of the previous director. If the Board meeting did not attain the required quorum, a General Meeting shall be called for in the nearest possible time to appoint the necessary number of directors.

The Board authorities

Without prejudice to the powers reserved for the general assembly, the Board shall have the widest powers to manage the Company's affairs and businesses. The Board may, within limits of its authorities, deputize one or more of its members or others to carry out specific assignments.

The Board's remuneration

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 Board's sub committees in addition to 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.

Chairman, Managing Director and Secretary

The Board of Directors shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from the members of the Board. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company and to represent the Company before judicial bodies and with third parties. The Chairman and the Managing Director shall have the powers to delegate their duties to others. The Managing Director shall be responsible for the executive management of the Company. The Board shall also appoint a Secretary and may appoint advisors in various fields and fix their remuneration.

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 meeting of the Board shall not have a quorum unless attended by at least two thirds of the members provided that the members attending in person shall not be less than four directors. The Board shall meet four times within a fiscal year provided the period between meetings should not exceed four months.

The Board's resolutions shall be passed unanimously, and in case of dispute by 2/3 majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation. Any member of the Board of Directors who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee of his interest in the presented matter. Board members are not entitled to conclude any insurance agreements in which they have interest with the company unless with the approval of SAMA.

Minutes of Board meetings:

The proceedings and Resolutions of the Board shall be written in minutes to be signed by the Chairman and the Secretary and shall be recorded in a Special Register to be signed by the Chairman and the Secretary.

Audit Committee:

The Audit Committee shall consist 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 of Directors, as approved by SAMA, MOCI and CMA.

Executive Committee:

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 Executive Committee's meetings shall be chaired by the chairman who will be appointed by the members of the Executive Committee among them.

Membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

General Assembly Meetings

General Meetings of Shareholders in a General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each shareholder having title to at least 20 shares shall have the right to attend the Ordinary or Extra-Ordinary General Meeting. A shareholder may delegate another shareholder who is not a director or officer of the company to attend the General meeting on his behalf by means of proxy.

Ordinary General Meeting:

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a notice shall be sent for a second meeting to be convened within the following thirty (30) days of the previous meeting. The second meeting shall be deemed valid irrespective of the number of shares represented.

Extra-Ordinary Meeting:

An EGM shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's capital. If such quorum is not attained in the first meeting, a notice shall be sent for a second meeting to be convened. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Shareholders' Assemblies' Resolutions

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. 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 related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the period specified or merger with another company, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Auditors

At a general assembly, shareholders shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. The auditors' remuneration shall be fixed by the shareholders at a general assembly.

Shareholders may, at a general assembly, further reappoint the same auditors. The auditor shall have access to the company's registers and books as well as any other document at any time. He may also request any information or clarifications if deemed necessary by him. He may also verify the company's assets and liabilities.

The auditor shall present an annual report to the General Assembly on the company's management enabling him to have access to all requested information and clarifications, any violations of the Companies Act or the Company's By-Laws which he may discover as well as in regard to whether the company's accounts reflect its statements accurately.

Fiscal Year

The fiscal year of the Company shall start on January 1 and end on December 31 of the same year. However, the first fiscal year of the Company shall commence on the date of the ministerial resolution declaring its incorporation and shall end on December 31 of the following year.

Distribution of Profits

The Company's annual net profits shall be distributed as follows: (1) Zakat and income tax allocations are to be held, (2) 20% of the net profits shall be withheld to form a statutory reserve, (3) 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, (4) The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital, (5) The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account, (6) By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company's Losses

If the total of the Company's losses amount to three-quarters of its capital, the Directors shall call an EGM to consider whether the Company shall continue to exist or dissolve prior to the expiry of its period. In all cases, the Assembly's resolution shall be published in the Official Gazette.

Dissolution and Winding up of the Company

The company will end with the expiration of its term as per these Articles or the Companies Act. Upon expiry of Company term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

Rules and Regulations:

The provisions of the Cooperative Insurance Companies Law and its Implementing Regulations, Companies Act and the CMA Rules and Implementing Regulations shall apply to any other matters not covered hereby.

14. Legal Information

14 - 1 Incorporation and Licenses and Permits

In line with Article (3) of Cooperative Insurance Companies Law, Buruj Cooperative Insurance Company was established based on Royal Decree No. M/72 dated 28/10/1429H (corresponding to 29/10/2008G) and the resolution of the Council of Ministers No. 313 dated 27.10.1429H (28.10.2008G), SAMA License No. (TMN/28/20105G dated 15.6.1431H (29.05.2010G). Based on the above Buruj has been licensed to conduct insurance activity which encompasses the principal insurance services conducted by the Company in the Kingdom, namely, (1) General insurance (2) Medical Insurance. The Company conducts its activities in line with the Law for Supervision of Cooperative Insurance Companies and its Implementing Regulations as well as other rules and regulations applicable in the Kingdom of Saudi Arabia under the supervision of SAMA. The Company has been registered as a Saudi Public Joint-Stock company as per Commercial Register No. 1010280606 issued in Riyadh on 10.02.1431H (26.1.2010G). The Company has obtained all licenses and permits as necessary to conduct its business in line with applicable rules. The following table indicates its licenses and permits.

Figure 14.1: Key Licenses and Permits obtained by the Company:

License Type	Purpose	License No.	Issue Date	Expiry date	Issuing Authority	Notes
License to conduct insurance Business	To conduct general and medical insurance	TMN/28/20105	15.6.1431 (29.5.2010)	14.6.1437 (23.3.2016)	SAMA	
Commercial Register	Register the Company in the Commercial Companies Register (Joint-stock company)	1010280606	10.2.1431 (26.1.2010)	10.2.1441 (10.10.2019)	Ministry of Commerce – Commercial register Office in Riyadh	
Commercial Register	Register the Company branch in the Commercial Companies Register in AlKhobar	2051044920	10.3.1432 (13.2.2011)	10.3.1439 (28.11.2017)	Ministry of Commerce – Commercial register Office in Al-Khobar	
Commercial Register	Register the Company branch in the Commercial Companies Register in Jeddah	4030209060	10.3.1432 (13.2.2011)	10.3.1439 (28.11.2017)	Ministry of Commerce – Commercial register Office in Jeddah	
Commercial Register	Register the Company branch in the Commercial Companies Register in Riyadh	1010303059	11.3.1432 (14.2.2011)	10.3.1439 (28.11.2017)	Ministry of Commerce – Commercial register Office in Riyadh	
Council of Cooperative Health Insurance Qualification	Qualification License to conduct cooperative medical insurance business	982/24/t/d	27.11.1434 (3.10.2013)	25.11.1435 (20.9.2014)	Council of Cooperative Health Insurance	The Company applied to renew its license to the Council of Cooperative Health Insurance, and the letter was received and signed by the Council on 9.11.1435 (4.9.2014). The renewed license has not been issued to date hereof.
Approval to launch insurance products	Final approval to promote and launch: 1. Shipment Insurance Policy and Land Transport Insurance (Unlimited coverage) 2. Marine Shipping Insurance Policy (Open coverage) 3. Marine Shipping Insurance Policy (One shipment)	2384/IS	24.12.1431 (30.11.2010)		SAMA	The Company shall ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and limits of coverage of insurance policies are not larger than the coverage limits stated in the reinsurance contracts and that all exceptions have been taken into consideration. The Company may not make any amendment to the terms of policies or the values of premiums unless with the approval of SAMA.

License Type	Purpose	License No.	Issue Date	Expiry date	Issuing Authority	Notes
Approval to launch insurance products	approval to promote and launch Fidelity Insurance policy	2428/IS	30.12.1431 (6.12.2010)		SAMA	The Company shall ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and limits of coverage of insurance policies are not higher than the coverage limits stated in the reinsurance contracts and that all exceptions have been taken into consideration. The Company may not make any amendment to the terms of policies or the values of premiums unless with the approval of SAMA.
Approval to launch insurance products	Final approval to promote and launch: 1. Contractors all-risk insurance policy 2. Installation all-risk insurance policy 3. Contractors equipment and machinery insurance policy 4. Machinery Damage Insurance policy 5. Electronic equipment insurance policy 6. Pressure Boiler and Vessels insurance policy 7. Cold Store Stock Damage insurance policy 8. Profit loss insurance policy due to machinery damages.				SAMA	The Company shall ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and limits of coverage of insurance policies are not higher than the coverage limits stated in the reinsurance contracts and that all exceptions have been taken into consideration. The Company may not make any amendment to the terms of policies or the values of premiums unless with the approval of SAMA.
Approval to launch insurance products	Final approval to promote and launch Group Life insurance policy	1430/IS	07.06.1433 (28.4.2013)		SAMA	The Company shall ensure that all of its insurance products have been covered by reinsurance contracts and that the conditions and limits of coverage of insurance policies are not higher than the coverage limits stated in the reinsurance contracts and that all exceptions have been taken into consideration. The Company may not make any amendment to the terms of policies or the values of premiums unless with the approval of SAMA.
Approval to launch insurance products	Final approval to promote and launch Comprehensive Commercial Vehicles Insurance Policy and Vehicles Mandatory Insurance	341000062925	19.5.1434 (31.3.2013)		SAMA	The Company shall ensure that all its insurance products provide for the minimum regulatory requirements The Company may not make any amendment to the terms of policies or the values of premiums unless with the approval of SAMA

License Type	Purpose	License No.	Issue Date	Expiry date	Issuing Authority	Notes
Approval to launch insurance products	Temporary approval to renew the promotion and launch of 14 insurance products of the Company: 1. Cash Insurance Product 2. Personal Accidents Product 3. Public Liability Product r 4. Workman Compensation-on Policy 5. Property Insurance Product 6. Health Profession Faults product 7. Incidental Accident Insurance product 8. All Property-Risk Policy 9. Vehicle Executive Guarantee Insurance product 10.Vehicles Golden Guarantee Execution Product 11.Vehicles Silver Guarantee Product 12.Vehicle Bronze Guarantee Execution Product 13. New Vehicle Guarantee Product 14. Vehicles Power Train Insurance product	351000143200	10.12.1435 (4.10.2014)	9.5.1436 (27.2.2015)	SAMA	
Restricted certificate (not good for payment of final premiums)	To inform that the Company has presented its annual assessment and committed to payment of Zakat	8175				
Certificate of staff registration in the Pension and Risk Branches (for Saudis) and Industrial Risks branch (for expatriates)	Company's liability to the General Organization for Social Insurance	17146716	10.10.1435 (6.8.2014)	10.4.1436 (30.1.2015)	General Organization for Social Insurance	
Chamber of Commerce Membership Certificate	Company's liability to Commercial Register Rules which requires the Company to have the membership of the Chamber of Commerce and Industry	1010000226363	5.11.2014	9.10.2019	Chamber of Commerce and Industry	
Commercial Activity License	Head Office License issued by Olaya Municipality	27907	26.5.1431 (10.5.2010)	26.5.1431 (23.2.2017)	Ministry of Municipal and Rural Affairs	

Source: Regulatory Report

14 - 2 The Company's Branch Offices

The Company has 3 branches in Riyadh, Jeddah and Al Khobar having obtained SAMA's approval under letter No. 2T/2202, dated 29/11/1421H (11/05/2010G).

Figure 14.2: Company branch offices

S	Branch Office	Location	C R Number	Issue Date	Expiry Date
1	Riyadh Branch	Sulimaniay – Prince Sultan Bin Abdulaziz Street	10103023059	11.3.1422 (14.2.2011)	11.3.1439 (29.11.2017)
2	Jeddah Branch	Crown Prince Street	4030209060	10.3.1432 (13.2.2011)	11.3.1439 (28.11.2017)
3	Alkhobar Branch	Alkhobar	2051044920	10.3.1432 (13.2.2011)	11.3.1439 (29.11.2017)

Source: Regulatory Report

The Company did not obtain the Municipality License for Riyadh Branch nor did it renew the Municipality License of Jeddah Branch

The Company obtained a license from SAMA to open 50 sales point by SAMA letter No. 2T/2431 dated 30.12.1431H (15.4.2010G)

The Company opened 37 sales points

Figure 14.3: Sales points of the Company

S	Sales Point	Location	Municipality License	License Status
Central Region				
1	Wadi AlDawaser Traffic Department	Wadi AlDawaser	None	
2	Riyadh Passport Office 1	Riyadh		
3	Riyadh Passport Office 2	Riyadh		
4	Buraidah Fairs	Buraidah	Obtained	Expired
5	Al Kharj	Al Kharj		
Northern Region				
6	Hagl Traffic Office	Hagl	Obtained	Expired
7	Diba Traffic Office	Diba	Obtained	Expired
8	Amlaj Traffic Office	Amlaj	None	
9	Hail	Hail	Obtained	Expired
10	Qurayat	Qurayat	None	
11	Tabuk Fairs	Tabuk	None	
Western Region				
12	Mezghadiah Traffic Department	Taif	None	
13	Taif Fairs	Taif	None	
14	Exam Traffic Department	Jeddah	None	
15	Jeddah Fairs	Jeddah	None	
16	Median Fairs	Median	Obtained	Valid
17	Yanbu Traffic Office	Yanbu	None	
18	Jeddah Passport Office	Jeddah	Obtained	Valid
Southern Region				
19	Darb Traffic Office	Jazan	Obtained	Expired

S	Sales Point	Location	Municipality License	License Status
20	Sabyaa Traffic Office	Jazan	Obtained	Expired
21	Samta Traffic Office	Jazan	Obtained	Expired
22	Qunfuza Traffic Office	Qunfuza	Obtained	Valid
23	Najran Traffic Office	Najran	Obtained	Expired
24	Najran Fairs	Najran	Obtained	Expired
25	Khamis Mushait Traffic Office	Khamis Mushait	None	
26	Khamis Mushait Fairs	Khamis Mushait	None	
27	Abu Areesh Fairs	Jazan	None	
28	Dhahran Al Janoub	Dhahran Al Janoub	Obtained	Expired
29	Baha Traffic Office	Baha	None	
30	Baljurashi Traffic Department	Baljurashi		
Eastern Region				
31	Khobar Traffic Office	Al Khobar	Obtained	Valid
32	Dammam Fairs	Dammam	None	
33	Ihsa Fairs	Ihsa	None	
34	Khafji Traffic Office	Khafji	None	
35	Jubai Traffic Office	Jubail	None	
36	Ihsa Passport Office	Ihsa	None	
37	Hafr Al Baten Passport Office	Hafr AL Baten	None	

Source: regulatory Report

The Company did not obtain Municipality license except for (11) Sales Points six of which are expired. Renewal of licenses is under review. However, the Company did not obtain Municipality licenses for the remaining twenty six sales points.

14 - 3 Lease Agreements

Leased offices are located in the following regions of the Kingdom:

- (7) Lease agreements concluded by the Company to conduct its business in the Central Province
- (11) Lease agreements concluded by the Company to conduct its business in the Western Province
- (5) Lease agreements concluded by the Company to conduct its business in the Eastern Province
- (11) Lease agreements concluded by the Company to conduct its business in the Southern Province
- (5) Lease agreements concluded by the Company to conduct its business in the Northern Province

Most of the above lease agreements are traditional lease contracts, i.e. the agreement provides for the rental which is payable annually. Most of the above agreements are renewable, but will be considered as revoked if payment of rental is delayed. The lessee may not sublease the property without the written approval of the lessor. Also, activity may not be changed without lessor's approval.

The following table summarizes the rental agreements covering the rented premises:

Figure 14.4: Rental Agreements:

S	Date of Agreement	Lessor	Duration	Rental (SAR)
1	8.4.1430 (4.4.2009)	Saleh Hmoud Al Tamy and Bros Development Company	5 Calendar Years commencing from 1.7.2009 and ending on 31.6.2014 Agreement was renewed by Supplement No. 2 dated 8.6.2014 signed by the parties so that the contract is to commence from 1.8.2014 to 31.7.2019	1,500,750,00
2	8.5.1433 (31.3.2012)	Abdulaziz Mohammed Al Attiyah	3 Hegra Years commencing from 8.5.1433 and ending on 8.5.1436 renewable automatically	120,000

S	Date of Agreement	Lessor	Duration	Rental (SAR)
3	29.9.1434 (6.8.2013)	Saleh Hmoud Al Tamy and Bros Development Company	3 Calendar Years commencing from 1.9.2013 and ending on 30.8.2016 renewable automatically	50,160
4	18.12.2012	Khaled Bin Hamad Bin Abdulrahman Al Rajeh	2 Hegra Years commencing from1.2.1434 and ending on 1.2.1436 renewable automatically	80,000
5	27.4.1435 (27.2.2014)	Misfer Bin Fahd Al Dowsary	1Calendar Years commencing from 1.6.1435 and ending on 1.6.1436 renewable automatically	15,000
6	16.4.2013	Atef AlSaeed Owais Squit	1 Hegra Years commencing from 1.4.1434 and ending on 3.3.1435 renewed for one calendar year commencing on 1.2.2014 and ending on 21.1.2015 by a cheque delivered to the lessor.	40,000
7	1.1.1434 (15.11.2012)	Majed Ali Thawab Al Harbi	1 Hegra Years commencing from 1.1.1434 and ending on 30.12.1434 renewable automatically> (Renewal is under process with the same terms and conditions)	12,000
8	5.4.1435 (5.2.2014)	Omar Abboud Mohammed Al Amoudi	1 Hegra Years commencing from 1.8.1435 and ending on 30.7.1436 not renewable automatically	253,800
9	29.2.1435 (1.1.2014)	Al Watan Est.	One Calendar year commencing on 1.1.2014 and ending on 31.12.2014	23,000
10	29.8.1434 (8.7.2013)	Fathi Mustafa Sale AlOrdoni	1 Hegra Years commencing from 1.1.1434 and ending on 30.12.1434 renewable automatically	40,000
11	18.8.2013	Saee Freih AbdRabbu Al Rifai	3 Calendar year commencing on 1.9.2013 and ending on 30.8.2016	35,000
12	16.1.2013	Mohammed Ahmed Saleh Al Kaaki	1 Hegra year commencing on 22.12.1433 and ending on 21.12.1434H. Renewed for 1 Hegra year commencing 22.12.1434 and ending on 21.12.1435H by cheque delivered to the lessor. Renewable automatically	30,000
13	26.6.1434	Mohammed Jameel Yaqoub Afifi	One Hegra year commencing on 1.7.1433 and ending on 30.6.1435H. Renewed for 6 months commencing 1.7.1435 and ending on 30.12.1435H by cheque delivered to the lessor. Renewable automatically. Renewal was not discussed, whether to be automatically or under new contract.	85,000
14	1.12.2012	Khaled Ayedh Al Saadi	One Calendar year commencing on 1.12.2012 and ending on 30.11.2013 Renewable automatically	63,000
15	25.6.1435	Saleh Saeed Awadh Al Harthi	One Hegra year commencing on 1.7.1435 and ending on 1.7.1436 Renewable automatically	35,000
16	19.5.2013	Ahmed Mohammed Abdulqader Abu Ouf	1 Hegra year commencing on 1.3.1434 and ending on 30.2.1435H. Renewed for 1 Hegra year commencing 1.3.1435 and ending on 30.2.1436H by cheque delivered to the lessor. Renewable automatically	35,000
17	30.8.1434 (8.7.2013)	Dakheel Gaith Salah Al Marwani	1 Hegra year commencing on 1.9.1434 and ending on 30.8.1435H. Renewed for 1 Hegra year commencing 1.9.1435 and ending on 30.8.1436H by cheque delivered to the lessor. Renewal was not discussed, whether to be automatically or under new contract	18,000
18	1.1.1434	Ali Mohammed Marie Al Garni	1 Hegra year commencing on 1.1.1434 and ending on 1.1.1435H. Renewed for 1 Hegra year commencing 1.1.1435 and ending on 1.1.1436H by cheque delivered to the lessor. Renewable automatically	36,000
19	12.2.1430 (7.2.2009)	Diwan Al Jazira For Residential Compounds	3 Calendar year commencing on 7.2.2009 and ending on6.2.2012 Renewed another period commencing 7.2.20014 and ending on 6.2.2017 by cheque delivered to the lessor. Renewable automatically	230,000
20	5.4.1434	Saad Rashed Aal Dgheim Al Qahtani	3 Hegra years commencing on 5.4.1434 and ending on 4.4.1437. Renewable automatically	22,300

S	Date of Agreement	Lessor	Duration	Rental (SAR)
21	27.9.1434 (5.8.2013)	Saad Zaid Ali AlDraiweesh	3 Calendar years commencing on 15.8.2013 and ending on 15.8.2016. Renewal was not discussed, whether to be automatically or under new contract	20,000
22	1.4.2014	Mohammed Dakheella Al Rasheedi	1 Calendar year commencing on 1.4.2014 and ending on 1.4.2015. Not renewable automatically	40,000
23	18.8.2013	Jheid Mkhailef Fah Al Anezi	1 Calendar year commencing on 8.1.1434 and ending on 15.8.2013. Not renewable automatically	30,000
24	1.4.1435 (1.2.2014)	Saeed Bin Ahmed Al Manea Al Ghamdi	One Hegra year commencing on 1.4.1435. Not renewable automatically	754,000
25	1.4.1435	Khaled Bin Mujel Al ghahtani	3 Hegra years commencing on 1.4.1435 and ending on 1.4.1438. Renewable automatically	25,000
26	24.1.1434	Abdullah Saeed Mohammed Al Shahrani	3 Hegra years commencing on 1.11.1433 and ending on 30.10.1436 Renewable automatically	30,000
27	30.12.2013	Hasan Saleh Samhan Al AHokash	3 Calendar years commencing on 1.1.2014 and ending on 31.12.2017 Renewable automatically	15,000
28	18.2.1434 (31.12.2012)	Abdullah Ali Al Ghamdi	2 Hegra years commencing on 1.3.1434 and ending on 1.3.1436. Reneable automatically	20,000
29	27.11.2012	Hasan Mohammed Hasan Habib	3 Calendar years commencing on 1.12.2012 Renewable automatically	30,000
30	1.1.2013	Ibrahim Abdullah Hasan Al Berri	1 Hegra year commencing on 1.1.1434 and ending on 30.12.1434. Renewed for another period commencing on 1.1.1435 and ending on 30.12.1435 by a cheque delivered to the lessor. Renewed automatically	18,000
31	8.6.2013	Fawaz Saeed Saleh Al Ghamdi	1 Calendar commencing on 1.5.2013 and ending on 31.4.2014. Renewed for another period commencing on 1.5.2014 and ending on 31.4.2015 by a cheque delivered to the lessor. Renewed automatically	25,000
32	13.1.2014	Abdulrazzak Mohammed Ahmed Idress	3 Hegra years commencing on 1.3.1435 and ending on 30.2.1436. Renewed automatically	30,000
33	11.2.2013	Mohammed Hasan Madhali	3 Hegra years commencing on 1.2.1434 and ending on 30.1.1437. Renewed automatically	36,000
34	4.12.2012	AlHasan Yahya Ali Owais	2 Hegra years commencing on 1.1.1434 and ending on 1.1.1436. Renewed automatically	24,000
35	1.1.1434 (a5.11.2012)	Ahmed Khalaf Lbeikhan Al Shammari	1 Hegra year commencing on 1.1.1434 and ending on 1.1.1435. Renewed for another period commencing on 2.1.1435 and ending on 1.1.1435 by cheque delivered to the lessor. Renewed automatically	20,000
36	26.2.1435	Fawaz Khalaf Farhan Al Ghaddouri	1 Hegra year commencing on 1.3.1435 and ending on 30.2.1436. Renewal was not discussed, whether to be automatically or under new contract	14,400
37	1.7.1433 (22.5.2012)	Bashar Suliman Mohammed Al-Sharari	1 Hegra year commencing on 1.7.1433 and ending on 30.06.1434. Renewed for another period commencing on 1.7.1435 and ending on 30.6.1436 by cheque delivered to the lessor. Renewed automatically	48,000
38	1.2.1434 (14.12.2014)	Ahmed Suliman Saleem Al Dakeeki	1 Hegra year commencing on 1.8.1435 and ending on 30.7.1436. Not renewable automatically	24,000
39	18.1.1434	Ahmed Eid Rashe Al Huweiti	1 Hegra year commencing on 1.7.1435 and ending on 30.6.1436. Not renewable automatically	15,000

14 - 4 Company's Capital Structure

The Company's share capital is One Hundred Thirty Million Saudi Riyals (SAR 130,000,000) comprising Thirteen Million (13,000,000) shares with a nominal value of SAR 10 per share all of which are ordinary shares and represents the Company's capital at incorporation. The founding shareholders have subscribed to 7,800,000 shares for a nominal value of SAR 10.00 per share, which represents 60% of the total share capital, and paid the value in full and the remaining 40% (5,200,000 shares) has been subscribed to by the public through an IPO. The proceeds of subscription by the founding shareholders were deposited in an account in the Company's name with a local bank (Al Rajhi Bank).

14 - 5 Board Directors

On 07.01.2013G, the Extra-Ordinary General Meeting approved amendment of Article (13) of the Company's By-Laws relating to Company Management for reducing the members of the Board from 10 to 7 directors; it has also endorsed the appointment of new Board of Directors for a term commencing from the date of the Extra-Ordinary General Meeting and ending on 31.12.2015G. It has also approved to relieve the liability of the directors of the Board from the expiry date of its term to the date of the General Meeting. The new Board was formed for the present term which starts on 7.1.2013G from the following members:

Figure 14.5: Directors of the Board:

SN	Name	Position	Nationality	Age	Membership Capacity Executive/ Non-executive	Membership Capacity Independent/ Non-Independent	Date of Membership	Representing	Equities			
									direct	%	Indirect	%
1	Yaser Yousef Mohammed Naghi	Chairman	Saudi	52	Non-executive	Non independent	7.1.2013	CigalahTrading Est.	586000	4.5%	292,500***	2.25%
2	Khaled Saud Abdul Aziz Al Hasan	Member	Kuwaiti	60	Executive	Non-independent	7.1.2013	Gulf Insurance Co.	1000	0.01%	-	-
3	Ibrahim Mohammed Ibrahim Baterjee	Member	Saudi	42	Non-executive	Non-independent	7.1.2013	Al Baterjee Industrial Group	1000	0.01%	65,000****	
4	Raafat Atiya Hasan Al Salamoni	Member	Egyptian	64	Non-Executive	Non-Independent	7.1.2013	Gulf Insurance Co.**	1.000	0.01%	-	-
5	Abdul Aziz Fahad Mohammed Al Rashed	Member	Saudi	65	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
6	Zeyad Bassam Mohammed Al Bassam	Member	Saudi	48	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
7	Adel Ali Hasan Al Sayed	Member	Saudi	52	Non-Executive	Independent	7.1.2013	-	1000	0.01%	-	-
	Total								592000	4.56%	357,500	2.75%

Source: The Company

** Includes membership guarantee shares

** 1000 shares of Gulf Insurance Co. portfolio was allocated to Board member, Mr. Rafat Attiya Hasan Al Salamony to guarantee his membership

*** arising from his ownership in United Yousef Mohammed Abdulwahab Naghi Co. Ltd and Gulf Medical Company Ltd.

**** Arising from his ownership in Al Battarjee Industrial Group Company

(A) Independent Member:

Independent member is a member of the Board who enjoys complete independence. Listed below are the situations which negate the full independence of a member of the Board as per the amendment made under the resolution of CMA No. 1-10-2010G dated 30.3.1431H (16.3.2011G):

1. If the member holds 5% or more in the shares of the Company or any of its group offices.
2. If he is representing a corporate person who holds 5% or more in the shares of the Company or any of its group members
3. If the member is an executive of the Company or any of its group members in the last two years.
4. If he has a first-degree relationship with any of the members of the Board of the Company or any of its group members
5. If he has a first-degree relationship with any of the executive officers of the Company or any of its group members
6. If he is a member of the Board of any company within the group of the company he is nominated to occupy the directorship of its board.

7. If he is an employee, in the last two years, of any party connected to the company or any of its group members such as auditors, senior suppliers, or if he is the holder of influencing interests with any of such parties in the past two years.

Hence, it is apparent that a non-independent member is the board member upon whom any of the above situations applies.

(B) Non-Executive Member:

Non-Executive member is a member of the Board who is not involved in the management of the Company nor is paid a monthly or annual salary.

As with regard to the formation of the Board, as provided for in item (c and f) of Article 12 of the Corporate Governance Rules, the majority of Directors of the Board must be non-executives and that the number of independent members should not be less than 2 members or one third of the total number of members, whichever is higher. The Company observed this rule as most of the Board members are non executive, and there are 3 independent members.

As per the rules, shares to secure the membership of 5 independent members of the Board referred to in the above table shall be allocated and the party offering such security shares must be specified. The figure above shows that the Company is complying with the provisions of Article 68 of the Companies Act regarding the security shares.

In line with Article 21 of the By-Laws, the Board will meet at the Company's head office upon the Chairman's call and also if requested by two directors. The call for the meeting must be documented in the way the Board decides. The Board may hold its meetings out of the company's head office. The Board shall meet four times within a fiscal year provided the period between meetings should not exceed four months. The minutes of meeting of the Board of Buruj Company for the years 2011G, 2012G and 2013G show that the Company is in compliance with the Company's By-Laws in respect of quorum and voting as the following table evidences:

Figure 14.6: Number of Board meetings for the years 2011G, 2012 and 2013

Body	2011	2012	2013
Board of Directors	4 meetings	4 meetings	4 meetings

Source: Regulatory Report

14 - 6 Summary of material contracts:

14 - 6 - 1 Insurance Brokerage Agreements:

The Company entered into a number of non-exclusive insurance brokerage agreements with Insurance Brokerage companies in order to attract customers and facilitate the sale of the Company's insurance products to individuals, companies and other institutions. Insurance brokers will be eligible to a commission as per the percentages provided for in the Rules regulating insurance brokers and agents business which ranges between 8% and 15% depending on the branch/type of product sold. Commissions will be calculated on the basis of premiums only, and no commission will be paid for the expenses. The following is a list of the insurance brokerage agreements concluded by the Company:

1. Non-exclusive Insurance Brokerage agreement with Golden Nouran Insurance Brokerage . This agreement is open and commences from 19.05.1435H (20.3.2014G)
2. Non-exclusive Insurance Brokerage agreement with Ace Insurance and Re-Insurance Brokerage Company. This agreement is open and commences from 25.05.1434H (6.4.2013)
3. Non-exclusive Insurance Brokerage agreement with Al Mamoun Overseas Insurance Brokers Limited Company. This agreement is open and commences from 16.06.1431H (30.5.2010G)
4. Non-exclusive Insurance Brokerage agreement with Broker Vision Insurance Co . This agreement is open and commences from 30.04.1434H (12.3.2013)
5. Non-exclusive Insurance Brokerage agreement with GREEN SHIELD NATIONAL BROKERS . This agreement is open and commences from 16.06.1431H (30.5.2010G)
6. Non-exclusive Insurance Brokerage agreement with Gulf Insurance Brokerage Company. This agreement is open and commences from 19.05.1432H (15.9.2011G)
7. Non-exclusive Insurance Brokerage agreement with Dar Al Wassatah Insurance Brokers Limited company. This agreement is open and commences from 16.06.1431H (25.5.2010G)
8. Non-exclusive Insurance Brokerage agreement with Modern Insurance and Re-Insurance Brokers. This agreement is open and commences from 14.05.1435H (15.3.2014G)
9. Non-exclusive Insurance Brokerage agreement with Saudi Brokers For Insurance and Re-Insurance Company. This agreement is open and commences from 16.06.1431H (30.5.2010G).
10. Non-exclusive Insurance Brokerage agreement with International Solutions Insurance Brokers Company. This agreement is open and commences from 109.03.1434H (21.1.2013G).

11. Non-exclusive Insurance Brokerage agreement with Tawakul Insurance Brokers. This agreement is open and commences from 12.07.1433H (2.6.2012G).
12. Non-exclusive Insurance Brokerage agreement with National Insurance Brokerage. This agreement is open and commences from 3.02.1434H (16.2.2012G).
13. Non-exclusive Insurance Brokerage agreement with Marsh Saudi Arabia Insurance and Reinsurance Brokers Company. This agreement is open and commences from 07.02.1433H (1.1.2012G).

14 - 6 - 2 Insurance Agency Agreements:

The company entered into two non-exclusive insurance agency agreements with two specialized companies to represent the Company in the promotion and sale of insurance policies to its account or on its behalf to individuals and commercial entities. Insurance brokers will be eligible to a commission as per the percentages provided for in the Rules regulating insurance brokers and agents which ranges between 8% and 15% depending on the branch/type of product sold. Commissions will be calculated on the basis of premiums only, and no commission will be paid for the expenses. Details of the two insurance agency agreements concluded by the Company are as follows:

1. Non-exclusive insurance agency agreement with Takaful Middle East Insurance Agencies company. The agreement is valid for 730 days from 15.07.1435H (14.05.2014G) to 6.8.1437H (13.5.2016G). The agreement is automatically renewable unless otherwise agreed in writing between the two parties 30 days prior to the expiry thereof. All dates and periods referred to in the agreement are in Gregorian calendar.
2. Non-exclusive insurance agency agreement with Joint Agents for Cooperative Insurance Agencies company. The agreement is valid for 730 days from 29.11.1434H (10.3.2013G) to 20.12.1436H (10.3.2015G). The agreement is automatically renewable unless otherwise agreed in writing between the two parties 30 days prior to the expiry thereof. All dates and periods provided for in the agreement are in Gregorian calendar.

14 - 6 - 3 Reinsurance agreements:

The Company entered into a number of Re-Insurance agreements with Re-Insurance companies by direct contracting or through Re-Insurance brokers in order to insure its activities. The said agreements include various exceptions depending on the product reinsured. The following is a list of reinsurance agreements made by the Company:

1. Reinsurance agreement with International General Insurance Company to cover medical professional faults underwritten by the Company. The cover includes the loss surplus which exceeds the limits of insurance cover of the Company. The contract also covers individuals conducting medical practice and/or hospitals and/or medical service providers. The contract is valid for one year commencing on 25.10.1434H (1.9.2013G) and ending on 10.3.1436H (31.12.2014G).
2. Reinsurance contract with Munich Re-Gesellschaft Ruckversicherung Munchener for Reinsurance (German Company) to cover the medical expenses covered by the Company under its insurance policies. The contract also covers medical expenses for individuals and groups (Accidents and Diseases), hospitalization expenses and repatriation of corps. The contract is valid for one year commencing on 29.2.1435H (1.1.2014G) and ending on 10.3.1436H (31.12.2014G).
3. Reinsurance contract through two reinsurance brokers, Marsh Saudi Arabia for Insurance and Insurance Brokers, and Shadeed Reinsurance Company, to conclude contracts with the following reinsurance companies: (1) Swiss Reinsurance Company, (2) Saudi Reinsurance Company, (3) ICR Company, (4) R+V, (5) Melli Reinsurance Company, (6) Partner Reinsurance Company, (7) The General Insurance Corporation of India, (8) Malaysia Reinsurance Company to cover loss surplus resulting from third party liability vehicles insurance, Comprehensive third party liability, Vehicles insurance, Workman compensation, Employers Liability insurance, Personal Accidents and medical expenses in terms of car accidents (Driver and accompanying passengers). The contract commences on 4.9.1435H (1.7.2014G) and ends on 13.9.1436H (30.6.2015G) and can be renewed for additional 6 months.
4. Reinsurance contract through two reinsurance brokers, Marsh Saudi Arabia Insurance and Reinsurance Brokers Company, and Shadeed Reinsurance Company, to conclude contracts with the following reinsurance companies: (1) ICR Company, (2) Kuwait Reinsurance Company, (3) Trans Reinsurance Company, Zurich Company, (4) The General Insurance Company of India, (5) Partner Reinsurance Company, (6) Malaysia Reinsurance Company to cover loss surplus incurred by the Company. The contract covers insurance of surplus losses resulting from insurance of properties and general accidents, engineering insurance, maritime shipping, material damages to vehicles whether insurance is direct, optional or reinsurance. The contract commences on 10.9.1435H (1.7.2014G) and ends on 14.9.1436H (30.6.2015G).
5. Reinsurance contract through two reinsurance brokers, Marsh Saudi Arabia Insurance and Reinsurance Brokers Company, and Shadeed Reinsurance Company, to conclude contracts with the following reinsurance companies: (1) Swiss Reinsurance Company, (2) Mapfre Company, (3) Saudi Reinsurance Company, (4) ICR Company, (5) R+V, (6) Melli Reinsurance Company, (7) Malaysia Reinsurance Company, (8) Partner Reinsurance Company, (9) The General Insurance Company of India, to cover engineering works and contracting as insured by the Company whether directly or via joint insurance. The contract commences on 4.9.1435H (1.7.2014G) and ends on 14.9.1436H (30.6.2015G) and can be renewed for additional 6 months.

6. Reinsurance contract through two reinsurance brokers, Marsh Saudi Arabia Insurance and Reinsurance Brokers Company, and Shadeed Reinsurance Company, to conclude contracts with the following reinsurance companies: (1) Swiss Reinsurance Company, (2) Mapfre Company, (3) Saudi Reinsurance company, (4) ICR company, (5) R+V, (6) Melli Reinsurance Company, (7) Malaysia Reinsurance company, (8) Partner Reinsurance Company, (9) The General Insurance Company of India, to cover reinsurance of risks, losses and public accidents of properties insured by the Company. The validity of the contract commences on 4.9.1435H (1.7.2014G) and ends on 14.9.1436H (30.6.2015G) and can be renewed for additional 6 months
7. Reinsurance contract through two reinsurance brokers, Marsh Saudi Arabia Insurance and Reinsurance Brokers Company, and Shadeed Reinsurance company, to conclude contracts with the following reinsurance companies: (1) Swiss Reinsurance Company, (2) Mapfre Company, (3) Saudi Reinsurance company, (4) ICR company, (5) R+V, (6) Melli Reinsurance Company, (7) Malaysia Reinsurance company, (8) Partner Reinsurance Company, (9) The General Insurance Company of India, to cover risks and losses in transporting and delivery of goods from place to another. The policy also covers the surplus losses incurred by the company in this context. The validity of the contract commences on 4.9.1435H (1.7.2014G) and ends on 14.9.1436H (30.6.2015G) and can be renewed for additional 6 months. The cover is valid to 13.9.1436H (30.6.2015G)
8. Reinsurance contract with Arabian Box For Insurance of War risks, strikes, riot and miscellaneous damages. The policy covers war risks, goods or human bodies, ships, planes and war risks such as building and repair of ships and war risks on goods transported by land and the means of transportation thereof, terrorism and sabotage risks, war risks on individuals – life and personal accidents and political risks. The validity of the contract commences on 4.9.1435H (1.7.2014G) and ends on 13.9.1436H (30.6.2015G).

14 - 6 - 4 Contracts and transactions with related parties:

As of 30.6.2014G, the total value of contracts concluded with some of the directors of the Board amounted to SAR 33,590,879 (Saudi Riyals Thirty Three Million Five Hundred Ninety Thousands and Eight Hundred Seventy Nine) as detailed below:

1. Insurance contracts with Sigala Commercial Establishment and Gourmet Food Factory (branch of Sigala Establishment) owned by Yaser Yousef Naghi (Chairman of the Board) for a value of SAR 8,122,139 (Saudi Riyals Eight Million Hundred Twenty Two Thousand and Hundred Thirty Nine)>
2. Insurance contracts with Yousef Mohammed Abdul Wahab Naghi United Company for a value of SAR 4,448,913 (Saudi Riyals Four Million Four Hundred Forty Eight Thousand Nine Hundred Thirteen), in which Mr. Yaser Yousef Naghi holds 20% of the share capital.
3. Insurance contracts with Al Saggaf Holding Company for an amount of SAR 2,757 (Saudi Riyals Two Thousand Seven Hundred Fifty Seven) in which Mr. Yaser Yousef Naghi (Chairman of the Board) holds a percentage of the capital share.
4. Insurance brokerage contract with Al Mamoun Overseas Insurance Brokerage Company for a value of SAR 4,653,700 (Saudi Riyals Four Million Six Hundred Fifty Three Thousand and Seven Hundred), with whom partners Yaser Yousef Naghi has a kinship relationship.
5. Insurance contracts with Arabian Commercial Catering Company Limited for a value of SAR 5,515,986 (Saudi Riyals Five Million Five Hundred Fifteen Thousand Nine Hundred Eighty Six) with which partners Yaser Yousef Naghi has a kinship relationship.
6. Insurance contracts with Arabian Commercial Catering Company Limited for a value of SAR 504,662 (Saudi Riyals Five Hundred Four Thousand Six Hundred Sixty Two) with whom partners Yaser Yousef Naghi has a kinship relationship.
7. Insurance contracts with Rahal National Services Company Limited for an amount of SAR 10,726 (Saudi Riyals Ten Thousand Seven Hundred Twenty Six) with whom partners Yaser Yousef Naghi has a kinship relationship.
8. Insurance contracts with Pilgrim Transport Company for a value of SAR 9,168,977 (Saudi Riyals Nine Million One Hundred Sixty Eight Thousand and Nine Hundred Seventy Seven) with whom partners Yaser Yousef Naghi has a kinship relationship.
9. Insurance contracts with Al Andalus Pilgrim Transport Company for a value of SAR 448,956 (Saudi Riyals Four Hundred Forty Eight Thousand and Nine Hundred Fifty Six)
10. Insurance contracts with Batarjee Industrial Group Limited for a value of SAR 17,075 (Saudi Riyals Seventeen Thousand Seventy Five) in which Mr. Ibrahim Mohammed Baterjee (member of the Board of Directors) holds 10% of the capital share.
11. Insurance contracts with Mohammed Ibrahim Baterjee Factory for Ice cream and Juice for a value of SAR 397,847 (Saudi Riyals Three Hundred Ninety Seven Thousand and Eight Hundred Forty Seven). Mohammed Ibrahim Baterjee Factory for Ice cream and Juice Company is held by Baterjee Holding Company and Baterjee Investment Company in both of which capital Mr. Ibrahim Mohammed Baterjee (Board member) holds 30%.
12. Insurance contracts with Al Bassam Commercial Company Limited for a value of SAR 8,080 (Saudi Riyals Eight Thousand Eighty) with whom partners Mr. Ziad Bassam Al Bassam (Board member) has a kinship relationship

13. Optional Re-Insurance contract with Gulf Insurance Company (shareholder by 22.5%) for a value of SAR 291,061 (Saudi Riyals Two Hundred Ninety One Thousand and Sixty One). The Company is one of the major shareholders and a strategic partner of the Company.

Contracts and transactions with related parties were provided in accordance with the Implementing Rules and Ministry of Commerce regulations, Article 69 and Article 70, relating to related party contracts. (Based on the above, Saleh and Abdulaziz Aba Hussain Company is a constituent shareholder holding 2% and its contracts do not fall under the Related Parties contracts in line with the Implementing Rules and Ministry of Commerce regulations. He also is not considered a major shareholder (5% or more) in line with the definition of related parties as per CMA regulations).

The minutes of the 5th General Assembly meeting held on 22.4.2014G shows that such contracts are voted by shareholders excluding the related parties of directors present and who have interests in such contracts. The Company confirms that other board members or any of their relatives do not have any direct or indirect interest in the Company, and no contracts were signed with any other related parties, including the issue of insurance policies to cover their businesses and properties.

The Company is in compliance with Article 47 of the code of conduct of insurance market which does permit an insurance Company to issue or renew any insurance policy to any of its holders or any members of its Board or executive officers or the parties related to them unless payment is made of the whole premium. The Company confirms that all premiums of said contracts have been fully settled.

Related parties shall mean the family members (wives, husbands, children, fathers, mothers, brothers, sisters and any institutions of which shares any member of the Board holds more than 5%)

Article 49 provides that no insurance policy should be issued or renewed to any member of the Board or senior management or related parties unless full payment of premium is made. If any member of the Board or any executive of the Company claims compensation in respect of any insurance policy issued to him by the Company, such claim must be handled in line with the procedures provided for in the rules governing other customer claims without any favorable treatment, and the regulatory controller should be notified of any compensation so paid to them. The Company confirms its compliance with the implementing rules of Cooperative Insurance Companies Control Law, the rules of the Companies Act and corporate governance rules in respect of related party contracts and transactions.

These contracts imply the same terms and conditions applicable to customers without preferential treatment to the said insurance policies compared to those offered by the Company to its other customers. The Company also confirms its compliance with the code of conduct of insurance market issued by SAMA.

14 - 6 - 5 Advisory contracts:

The Company concluded a number of advisory contracts as follows:

1. A contract for provision of actuary services dated 4.6.2014G signed between Buruj Company and Manar Sigma Financial Consultations Company. The Company confirms that should it decide to change the actuary, it will take the prior consent of SAMA before confirmation of the appointment of such new actuary as per SAMA requirements. This contract is valid for one year from the date thereof.
2. A contract for provision of accounting services dated 5.6.2014G signed between Buruj Company and Al Bassam & Al Namer (Accountants and Legal Advisors). This contract is valid for one year from the date thereof.
3. Appointment contract to provide account control services signed on 12.6.2014G with Ernest and Young for review and issue of a report on the financial statements for the year ending 31 Dec 2014G, review and issue a report on the interim un-audited financial statements of the Company for the periods ending on 30.07.2014G, 30.09.2014G, 31.12.2014G and 31.3.2015G. This contract is valid for one year from the date thereof.
4. Agreement for provision of legal services dated 14.3.2012G with Nahar Al-Dalbahi office (Lawyers and Legal Advisors). This agreement is still valid.

The Company confirms the lack of conflict of interests in the appointment of advisors, particularly financial advisors, because any direct or indirect interest of the partners or executive management members in such advisory companies in Buruj Company may affect the independency of professional opinion required to be provided by them

The Company is in compliance with the provisions of Article 69 and 71 of Companies Act, and Article 18 of Corporate Governance Rules in respect of directors' disclosure of their personal interests in such transactions and contracts effected in favor of the Company and that they do not participate in the voting on any decision passed to this effect.

14 - 6 - 6 Information Technology contracts:

The Company has an independent Department specialized in IT matters and has concluded a number of contracts relating to computer and information technology, most important of which are as follows:

1. On 1.1.2013G the Company signed a support agreement with HP International through its agent in the Kingdom to provide technical support and maintenance services for the products related to servers for an amount of SAR 433,000 (Saudi Riyals Four Hundred Thirty Three) valid through 31.12.2015G.

2. On 6.3.2014G the Company signed an agreement with Automation World For Information technology for installation, operation and maintenance the medical insurance system and provide technical support to the Company for an amount of SAR 144,000 (Saudi Riyals One Hundred Forty Four Thousand) plus 25% of the contract value for technical support payable after the grace period which is one year from the date of the contract. This agreement is not renewable unless with the approval of both parties. The contract is valid for one year of the contract date.
3. On 6.3.2014G the Company signed an agreement with Automation World For Information technology for installation, operation and maintenance of the system for escalation to the Cooperative Health Insurance Council and provide technical support to the Company for an amount of SAR 65,000 (Saudi Riyals Sixty Five Thousand) plus 25% of the contract value for technical support payable after the grace period which is one year from the of the contract. This agreement is not renewable unless with the approval of both parties. The contract is valid for one year of the contract date.
4. On 13.6.2012G the Company signed an agreement with MCAFE International to protect its systems against electronic viruses for a price of SAR 18,900 (Saudi Riyals Eighteen Thousand Nine Hundred). The contract is valid through 12.6.2015G
5. On 27.4.2014G the Company signed an agreement with SAEMENTIC International Company to provide the backup programs for an amount of SAR 18,375 (Saudi Riyals Eighteen Thousand Three Hundred Seventy Five) valid through 31.5.2015G.

14 - 6 - 7 Agreement for transfer of the ownership of insurance portfolio to Saudi Pearl Insurance Company (A Bahraini closed joint-stock company)

On 1.2.2012G an agreement was made between Buruj Company and Saudi Pearl Insurance Company for the acquisition of insurance portfolio and finalization of regulatory procedures relating thereto. The Company had obtained a final approval from SAMA to transfer the insurance portfolio with effect from 1.1.2009G by SAMA letter No 75717/IS/380 dated 9.2.1433H (3.1.2012G). The agreement provided for the compliance by the two parties with SAMA requirements for transfer of the portfolio without taking into consideration the goodwill value. The acquisition value was fixed based on the value of liabilities which equals the value of assets. Thus, the acquisition by Buruj of the insurance portfolio of Saudi Pearl Insurance Company was made without any consideration.

14 - 6 - 8 Insurance policies:

The company signed (in its capacity as Insured) with Gulf General Insurance Company 6 insurance contracts. The Company has also signed a cooperative Health insurance contract for its staff members with BUPA Saudi Arabia. The following table includes details of the said six contracts:

Insurance Company	Type	Policy No.	Validity of cover	Annual premium (SAR)
Gulf General Insurance Company	Insurance of electronic equipment and IT systems	20-EE-2014-00004-000	1.5.2014 – 30.4.2015	14,026
Gulf General Insurance Company	Insurance of cash in hand	20-GS-2014-00096-000	1.5.2014 – 30.4.2015	1,772
Gulf General Insurance Company	Insurance of cash in transit	20-CIT-2014-00091-000	1.5.2014 – 30.4.2015	10,520
Gulf General Insurance Company	Insurance of personal and group accidents	20-GA-2014-00013-000	1.5.2014 – 30.4.2015	12,620
Gulf General Insurance Company	Public commercial Liability Insurance	20-PP-2014-000112-000	1.5.2014 – 30.4.2015	6,088
Gulf General Insurance Company	Fidelity Insurance	20-FG-2014-000043-000	1.5.2014 – 30.4.2015	11,920
BUPA Company	Cooperative Health Insurance	1.1.2014-31.12.2014		1,180,174

Source: Regulatory report

The Company will renew these policies upon expiry

14 - 7 Disputes and Litigation:

The Company is not a party to any legal case or claim (including any outstanding or threatened cases) which may essentially affect the Company business or its subsidiaries or its financial position

14 - 8 Trade Marks:

On 29.11.1431H (6.11.2010G) the Company registered its trade mark under category 36 - insurance services. The trade mark represents (a three triangle shape in blue and red colors under which appears the word Buruj in Latin letters in blue color except the letter (R) which is in Red. The word falls under an arch in red with the words (BURUJ COOPERATIVE INSURANCE) in Arabic and Latin letters in blue and red colors). The ownership of the trade mark is evidenced by a certificate of trade mark registration No. (1205/67) issued by the Ministry of Commerce and valid for 10 years from 17.5.1431H (1.5.2010G) to 16.5.1441H (11.1.2020G) renewable for a similar period/periods by means of an application to be submitted by the Company in the last year of validity and the following six months as per the Trade Mark Rules and Implementing Regulations.

The Company has protected its intangible assets by registering its trade mark which is considered essential and relates to the business and profitability of the Company.

The Company does not own any other intangible assets such as trademarks, patents, copy rights or other intellectual rights.

The Company's competitive position depends, among other factors, on its ability to protect and use its intangible assets. Thus, the inability to protect intangible assets represented by its trade mark or the trademarks of its subsidiaries, or its inability to obtain the approval of the Ministry of Commerce and Industry to register any trade mark, or in some cases, the need to take legal action to protect such trademarks may negatively impact the Company's business and make its business more expensive which may adversely affect the results of the Company's operations.

15. Underwriting

15 - 1 Name and Address of the Underwriter

The Company has entered into the Underwriting Agreement with Falcom Financial Services Company, the Underwriter, under which the Underwriter undertakes to subscribe for (12,000,000) Ordinary Shares at a nominal price of SAR (10) per share, representing all Right Issue shares.

Falcom Financial Services Company
Olayya Main Road - Riyadh
P.O. Box 884, Riyadh 11421
Saudi Arabia
Tel: 8004298888
Fax: +966 (11) 205 4831
Website: www.falcom.com.sa
E-mail: moath.alkhasawneh@falcom.com.sa

FALCOM فالكم

15 - 2 Summary of the Underwriting Agreement

The principal terms of the Underwriting Agreement are set forth below:

(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.

(c) The Underwriter shall receive a certain amount against its underwriting of the Offer shares representing a certain percentage of the Offering Proceeds.

16. Offering Expenses

Total expected value of Offering costs and expenses stands at around SAR 5 million, which include the fees of Financial Advisor, Legal Advisor of the Offering, Financial Due Diligence Consultant, Media and Public Relations Advisor, as well as the expenses arising from underwriter, Receiving Entities, marketing and distribution and other associated Offering expenses. The Company will incur all expenses relating to the Offering process.

17. Exemptions

Neither the Company, nor the Financial Advisor have submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

18. Subscription Terms and Conditions

The Company applied to the Capital Market Authority to register and approve the listing of the Rights issue in TADAWUL, and the Authority approved this prospectus and all supporting documents as requested by CMA. All other official approvals necessary for the offering have been obtained.

All eligible shareholders and holders of acquired rights and applicants must carefully read the Subscription Terms and Conditions (the "Subscription Terms and Conditions") prior to completing the Subscription Application Form or the form for presenting the offer relating to complementary offering since the completion, execution and submission of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Entity is considered a binding agreement between the Company and the Eligible Person. Eligible Persons may obtain this Prospectus and Subscription Application Form from the Receiving Entities.

18 - 1 Subscription to the New Shares

18 - 1 - 1 Subscription to Rights Issue

Eligible Persons wishing to subscribe may submit the subscription application during the subscription period. Subscription Application may be obtained from the following Receiving Entities:

FALCOM Financial Services Company Riyadh – Olaya Main Road P. O. Box 884 – Riyadh 11421 Kingdom of Saudi Arabia Tel: 8004298888 Fax: +966112054831 e-mail: moath.alkhasawneh@falcom.com.sa Website: www.falcom.com.sa	FALCOM فالكم
The National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333, Fax: +966 (12) 6437426 e-mail: contactus@alahli.com website: www.alahli.com.sa	NCB الأهلي
Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 114164 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030, Fax: +966 (11) 404 2618 e-mail: customercare@riyadbank.com website: www.riyadbank.com	بنك الرياض riyad bank
Banque Saudi Fransi Al Maathar Street, Riyadh P.O. Box 56006 Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 11 404 2222, Fax: +966 11 402 2311 Website: www.alfransi.com.sa E-mail: communications@alfransi.com.sa	البنك السعودي الفرنسي Banque Saudi Fransi
Samba Financial Group King Abdulaziz Road P.O. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 (11) 477 4770, Fax: +966 (11) 479 9402 e-mail: customercare@samba.com Website: www.samba.com.sa	samba سامبا

In accordance with this Prospectus, 12,000,000 Ordinary Shares will be offered for subscription through the Rights Issue representing 92.3% of the Company's pre-offering share capital, at an Offer Price of SAR 10 per share, with a nominal amount of SAR 10 and a total offering value of SAR 120,000,000. The New Shares will be issued as one (1.083) New Share for each (1) Right from the Rights Issue (One Rights for every 1.083 existing Share). Subscription to the New Shares are offered to the Registered Shareholders, as at the close of trading on the date of the EGM held on 12/06/1436H (corresponding to 01/04/2015G) (the "Eligibility Date") and to the Eligible Persons who purchased the Rights during the Trading Period, including Registered Shareholders 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.

Registered Shareholders may trade their Rights deposited in their accounts through Tadawul. These Rights will be considered acquired by all Registered Shareholders in the Company's Shareholders Register as of the Eligibility Date. Each Right grants its holder eligibility to subscribe in one (1) New Share at the Offer Price. The Rights shall be deposited, within, two working days after the date of the EGM. Rights will appear in the Registered Shareholders' accounts under a new symbol assigned to the Rights Issue.

The schedule and details of the Offering are as follows:

- Eligibility Date: The end of trading on the day of the EGM on 12/06/1436H (corresponding to 01/04/2015G).
- First Offering Period: Starts on Tuesday 18/06/1436H (Corresponding to 07/04/2015G) until the end of the day on Thursday 27/06/1436H (Corresponding 16/04/2015G) 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 Entities by submitting a filled subscription form or through an Automated Teller Machine ("ATM") or through the telephone or through subscribing electronically with the Receiving Entities that offer such services to subscribers. 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. He will be informed of this rejection and a refund of the subscription amount will be issued by the Registered Shareholder's Receiving Entity
- Trading Period: Starts on Tuesday 18/06/1436H (Corresponding to 07/04/2015G) until the end of the day on Thursday 27/06/1436H (Corresponding to 16/04/2015G), 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:

a) Registered Shareholders during this period are entitled to:

1. Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Entities;
2. Sell all their Rights or a part thereof;
3. Purchase additional Rights and trade them (Subscription to additional New Shares is only possible during the Second Offering Period, by filling a Subscription Application Form or electronically with one of the Receiving Entities that provide such services to subscribers); or
4. Refrain from taking any action relation to the Rights Issue (Not to sell the Rights or exercise the right to subscribe for it). The Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.

b) Those who purchased Rights during this period, may trade these Rights either by selling them or buying part or all of these Rights. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe for New Shares only in the Second Offering Period, by filling a Subscription Form or electronically with one of the Receiving Entities that provide such services to their customers. If they don't subscribe for the Rights by the end of the Second Offering Period, then the Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.

- Second Offering Period: Starts From Sunday on 30/06/1436H (Corresponding to 19/04/2015G) until the end of the day on Tuesday 02/07/1436H (21/04/2015G). No Rights can be traded during this period, which includes the following steps:

a) 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, by filling a Subscription Application Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Entities that provide such services to subscribers. 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.

b) 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 on Sunday 07/07/1436H (26/04/2015) at 10:00 AM until 10:00 AM of the next day on Monday 08/07/1436H (corresponding to 27/04/2015G). During this period, the Rump Shares together with the fractions shares will be offered to a number of Institutional Investors, ("Institutional Investors"). These institutions would thereafter present offers to purchase the Rump Shares, and the Rump Shares will be allocated to Institutional Investors in order of offer value so the highest value comes 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. The price of subscription in the new shares which are not subscribed to in this offering period will be the same as the offering price as a minimum.

If the sale price of unsubscribed shares is higher than the offer price, then the difference (if any) will be distributed as a compensation for holders of rights who did not subscriber to their rights based on the percentage of held rights.

- 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 up to the paid Offer Price 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 17/07/1436H (corresponding to 06/05/2015G).
- Trading of the New Shares on the Market: 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 filed a request with the CMA for registration of the New Shares and their inclusion in the Exchange. The Company will be submitting a request to the CMA to allow trading of the New Shares after the completion of the Offering.

18 - 2 Eligible Persons who do not subscribe for the New Shares

Tadawul will modify the Company's share price at the close of the trading day on the date which the EGM was held on 12/06/1436H (corresponding to 01/04/2015G), based on the value of the subscription and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any advantages or benefits against the rights owing to them except to receive proportional cash compensation from the proceeds of the sale price in excess of the Offer Price of the Rump Shares (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase.

If Institutional Investors wish to buy the Rump Shares at the Offer Price only, or if they do not wish to subscribe and the Underwriter therefore covers the Rump Shares at the Offer Price, then the non-participating Eligible Persons will not receive any compensation as a result of them not subscribing for the New Shares by exercising their Rights.

Compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially for the New Shares and Shareholders entitled to fractional shares by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and Shareholders entitled to fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe for all or part of the Shares they were entitled to, as well as those entitled in fractional Shares.

18 - 3 Completion of Subscription Application Form

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 Entities.

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 ten Riyals.

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- Warrants that he/she has carefully read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- 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;
- Declares that he/she has not previously subscribed for this Right Issue, in which case the Company has the right to reject all applications;
- 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
- Warrants not canceling or amending the Subscription Application Form after submitted to the Receiving Entity.

18 - 4 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Entities shall match the copy of each document with the original document and then return the original documents to the Subscriber:

- Original and copy of the personal identification card (in case of an individual subscriber)
- Original and copy of the family identification card (for family members)
- Original and copy of the power of attorney (in case of authorizing another person for the subscription)
- Original and copy of the custody deed (for orphans) (for individual subscribers)
- Original and copy of the residence permit (Iqama) for non-Saudis, whenever applicable (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Entities, by authorizing the Receiving Entity to debit the account of the Subscriber at the Receiving Entity with the required amount, or through a certified check drawn at one of the local banks and in favor of the Company.

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.

18 - 5 Submission of the Subscription Application Form

Receiving Entities 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 Entities or the telephone banking services section or ATMs or internet banking of any of the Receiving Entities 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 Entity 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 Entity, 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. Any application providing incomplete or incorrect information or not stamped by a Receiving Entity will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Entities, 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 Entities' branches;
- Payment in full by the Eligible Person to the Receiving Entities of the total Offer Price (as specified above) of the Shares subscribed for; and
- Delivery to the Eligible Person by the Receiving Entities of the allocation letter specifying the number of Shares allocated to him/her.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

18 - 6 Allocation

The Company and Lead Manager shall open an escrow account called "Buruj For Cooperative Insurance Company - Rights Issue", in which the subscription proceeds shall be deposited.

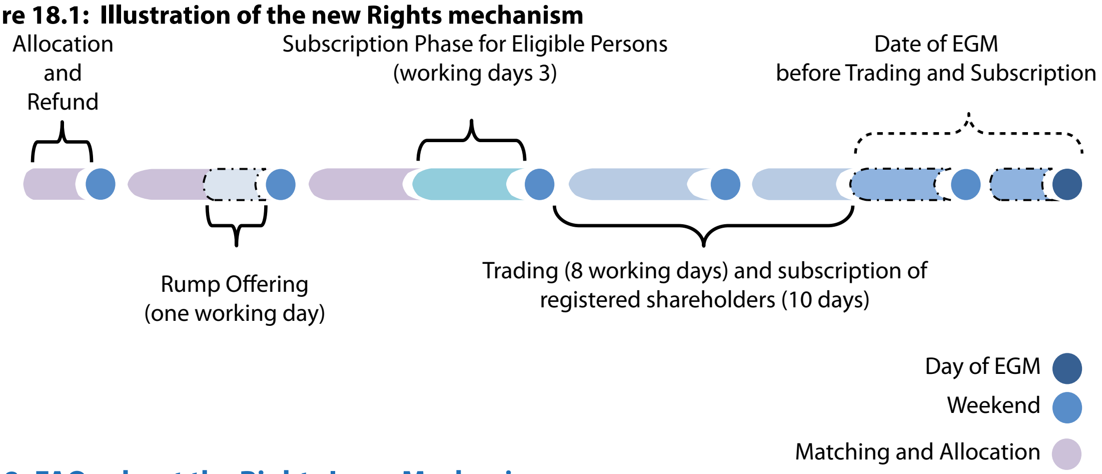
The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. Total price of sale of rump shares will be paid to the Company, and the remainder proceeds of the rump shares will be distributed (Subscription price in the new shares which were not subscribed in the Rump shares at the launch price as a minimum. If the price of unsubscribed shares is higher than the launch price, the difference, if any, will be distributed as a compensation to Rights holders who did not subscribe their Rights in prop rata with the Rights they hold) and fractional shares to eligible subscribers each in pro rata with his eligibility no later than 17/07/1436H (corresponding to 06/05/2015G). Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter at the launch price.

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Entities is expected to take place by depositing the shares into the accounts of Subscribers with the receiving parties. Eligible Persons shall contact the branch of the Receiving Entity where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than 10/07/1436H (corresponding to 29/04/2015G).

18 - 7 Compensation Payment

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 17/07/1436 H (corresponding to 06/05/2015G).

Figure 18.1: Illustration of the new Rights mechanism



18 - 8 FAQs about the Rights Issue Mechanism

What is a Rights Issue?

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.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights 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 are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

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 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/ symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Entities' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Entities or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been sold 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 Entity and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase operations, without a minimum commission being imposed.

18 - 9 Trading of New Shares

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place

after refund of subscription surplus in coordination with the CMA, and will be announced at a later date.

18 - 10 The Saudi Arabian Stock Exchange ("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 takes place through a fully integrated trading system "TADAWUL" through an integrated process covering the entire process from trade order through 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 system 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 during the day, i.e. 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.

18 - 11 Registration in Tadawul

An application has been made to the CMA to register and include the New Shares in the official Saudi stock market listing. 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, it will only be possible to trade in the New Shares once the allocation of the New Shares has been approved and these have been deposited in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved.

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.

Although the existing shares of the company are listed in TADAWUL, trading of new shares cannot be made unless after the allocation of shares to eligible subscribers and proposal providers in the Rump offering is approved and the new shares are deposited in their accounts on Tadawul. It is absolutely prohibited to trade the new shares before allocation process is completed and approved.

Subscribers or proposal providers in the Rump offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the company will not bear any legal liability in this case.

18 - 12 Resolutions and Approvals under which shares are offered

Buruj has recently obtained SAMA's approval under letter No. 351000123147 dated 24/09/1435H (21/07/2014G) to increase its share capital by SAR 120 million through the Rights Issue Offering. Upon completion of the Offering the Company's share capital will be SAR 250 million comprising 25 million shares with nominal value of SAR 10 per share. The Company's Board has issued its resolution dated 27/06/1435H (corresponding to 27/04/2014G) recommending increase of the Company's capital to meet its solvency requirements. The EGM held on 12/06/1436H (corresponding to 01/04/2015G) 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 CMA's website on 12/06/1436H (corresponding to 01/04/2015G).

It is worth to mention that the shares of constituent shareholders will be subject to the obligation to obtain SAMA approval before constituent shareholders can dispose of their shares.

18 - 13 Miscellaneous Notices

- 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,
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.
3. Non-approval by the EGM of the details of this offering.

18 - 14 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 SAR 47.66 and it is expected to be reset to SAR 29.58 in the opening session the next day. The change represents a decrease of SAR 18.08 representing 37.49%.

First: Calculation of the market value of the Company at the close of trading on the day of the EGM:

Number of shares 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: Calculation of 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 of the EGM.

19. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of Falcom Financial services Company in Riyadh City, Olaya Main Street, King Abdullah intersection, during official working hours, from 9:00 a.m. to 4:30 p.m., 20 days before the Offering Period and throughout the Offering Period:

Incorporation / Company Documents

1. By-Laws of the Company;
2. Commercial Registration certificate of the Company.

Offering of Shares

1. CMA's approval of the Company's capital increase through Rights Issue Offering;
2. SAMA's approval of the Company's capital increase
3. Recommendation of the Board of Directors regarding capital increase
4. Resolution of the EGM approving the Company's capital increase.

Reports, Letters and Documents

1. Market reports referenced in this Prospectus;
2. Material contracts and agreements referenced in section 14 Legal Information, Summary of Material Contracts;
3. A written consent from the Financial Advisor, Lead Manager and Underwriter, Falcom Financial Services, to include its name and logo in the prospects;
4. A written consent from the Due Care Advisor (Deloitte Corporate Finance Ltd.) to include their report and name in the Prospects;
5. A written consent from the Offering Legal Advisor (Abdul Aziz Al Assaf and Partners (Lawyers and Consultants) to include their name, logo and statement in the Prospects;
6. A written consent from the certified public accountant Earnest and Young, al Bassam Certified Accountants and Auditors and Al Nemer certified Public Accountant to include their name, logo and statement in the Prospects as being the auditors of the financial statements for the financial years ended on 31 December 2011G, 2012G and 2013 and the reviewed financial statements for the period ended on 30 June 2014.

Financial Statements

1. Audited financial statements for the years ending 31 December 2011G, 2012G, and 2013G and the Auditor's report on them.
2. Reviewed financial statements for the period ending on 30 June 2014G and the Auditor's report on them.

As per CMA's requires, all documents available for inspection shall be in Arabic Language as far as it is practicable.

20. Accountant's Report

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

UNAUDITED INTERIM CONDENSED Financial Statements AND

IIMITED REVIEW REPORT

For THE THREE AND SIX MONTH PERIODS Ended 30 JUNE 2014

EY
Building a better working world

Allied Accountants
Al-Bassam & Al-Nemer CPAs
P.P. License 520 / 11 / 323

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014, the related interim statements of insurance and shareholders' comprehensive operations for the three and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF A MATTER:

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366

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

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

18 Ramadan 1435H
(15 July 2014)

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

المحاسبون المتحالفون
ترخيص رقم
520/11/323
Licence No.
Allied Accountants

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	103,905,486	121,530,428
Time deposits	6	59,000,013	-
Premiums and reinsurance balances receivable, net	7	55,487,122	27,750,263
Due from shareholders' operations		563,936	3,288,847
Available for sale investments	8(i)(a)	15,076,464	-
Reinsurers' share of outstanding claims		42,896,123	38,766,004
Prepayments and other assets		8,645,193	10,271,255
Deferred policy acquisition costs		17,133,558	10,531,345
Reinsurers' share of unearned premiums		22,765,666	28,037,312
Held to maturity investment	8(i)(c)	8,000,000	8,000,000
Property and equipment, net		3,511,799	3,299,017
TOTAL INSURANCE OPERATIONS' ASSETS		336,985,360	251,474,471
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	17,285,451	13,523,880
Available for sale investments	8(ii)(a)	53,688,304	56,381,037
Prepayments and other assets		551,533	261,032
Statutory deposit	9	13,243,810	13,157,101
TOTAL SHAREHOLDERS' ASSETS		84,769,098	83,323,050
TOTAL ASSETS		421,754,458	334,797,521

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Note	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
INSURANCE OPERATIONS' LIABILITIES & SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims		96,680,675	84,727,336
Reinsurance and insurance balances payable		27,115,091	21,968,981
Accrued expenses and other liabilities		9,608,231	8,545,707
Employees' end of service benefits		2,558,933	2,061,031
Unearned reinsurance commission		5,488,636	3,805,866
Gross unearned premiums		184,186,249	124,830,264
Premium deficiency and other reserves		9,460,587	4,802,146
TOTAL INSURANCE OPERATIONS' LIABILITIES		335,098,402	250,741,331
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		1,083,517	733,140
Changes in fair values of available for sale investments	8(i)(b)	803,441	-
TOTAL INSURANCE OPERATIONS' LIABILITIES & SURPLUS		336,985,360	251,474,471
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat payable		8,464,570	7,364,263
Accrued expenses and other liabilities		2,076,069	2,152,540
Due to a related party		25,679	36,244
Due to insurance operations		563,936	3,288,847
TOTAL SHAREHOLDERS' LIABILITIES		11,130,254	12,841,894
SHAREHOLDERS' EQUITY			
Share capital		130,000,000	130,000,000
Accumulated losses		(56,505,945)	(58,728,974)
Change in fair values of available for sale investments	8(ii)(b)	144,789	(789,870)
TOTAL SHAREHOLDERS' EQUITY		73,638,844	70,481,156
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		84,769,098	83,323,050
TOTAL LIABILITIES AND EQUITY		421,754,458	334,797,521

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

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS (UNAUDITED)

	For the three month period ended 30 June		For the six month period ended 30 June	
	2014 (Unaudited) SR	2013 (Unaudited) SR	2014 (Unaudited) SR	2013 (Unaudited) SR
Gross written premiums	120,590,394	69,676,672	210,522,947	150,100,482
Reinsurance premiums ceded	(13,926,141)	(19,651,470)	(28,800,501)	(46,074,443)
Excess of loss premiums	(1,199,541)	(849,096)	(2,657,428)	(1,698,192)
NET PREMIUMS WRITTEN	105,464,712	49,176,106	179,065,018	102,327,847
Movement in unearned premiums, net	(44,839,159)	(4,534,144)	(64,627,631)	(15,324,417)
NET PREMIUMS EARNED	60,625,553	44,641,962	114,437,387	87,003,430
Reinsurance commission income	3,109,967	3,589,399	5,876,268	6,174,124
Policy fees	2,131,375	1,090,715	4,581,015	2,214,444
TOTAL REVENUES	65,866,895	49,322,076	124,894,670	95,391,998
Gross claims paid	(40,121,466)	(33,436,866)	(77,179,936)	(67,318,633)
Reinsurance share of claims paid	2,611,812	6,283,333	8,819,049	9,794,885
NET CLAIMS PAID	(37,509,654)	(27,153,533)	(68,360,887)	(57,523,748)
Movement in outstanding claims, net	(4,153,347)	(1,730,497)	(7,823,220)	1,465,362
Movement in other reserves	(1,642,037)	271,120	(4,658,441)	(1,083,570)
NET CLAIMS INCURRED	(43,305,038)	(28,612,910)	(80,842,548)	(57,141,956)
Policy acquisition costs	(7,406,590)	(5,628,302)	(13,653,506)	(10,805,166)
Inspection and supervision fees	(1,118,223)	(620,228)	(1,610,216)	(1,274,424)
Other underwriting expenses	(2,050,835)	(1,258,302)	(3,754,566)	(1,933,728)
TOTAL UNDERWRITING COSTS	(53,880,686)	(36,119,742)	(99,860,836)	(71,155,274)
NET UNDERWRITING SURPLUS	11,986,209	13,202,334	25,033,834	24,236,724
General and administrative expenses	(9,625,474)	(9,458,023)	(18,918,517)	(18,802,584)
Allowance for doubtful debts	(3,957,507)	(2,130,217)	(4,864,601)	(1,733,032)
Special commission income from time deposits	356,034	168,788	629,293	308,841
Special commission income from investments	53,150	140,438	106,840	298,019
Dividend income	107,388	-	144,388	-
Realized gain (loss) from available for sale investments	931,571	(35,761)	1,354,833	(35,761)
Gain (loss) on disposal of property and equipment	17,401	-	17,701	(709)
(DEFICIT) SURPLUS FROM INSURANCE OPERATIONS	(131,228)	1,887,559	3,503,771	4,271,498
Deficit (surplus) transferred to shareholders' operations	131,228	(1,698,803)	(3,153,394)	(3,844,348)
NET RESULT FOR THE PERIOD	-	188,756	350,377	427,150
Accumulated surplus at beginning of the period (note2)	-	-	733,140	-
ACCUMLATED SURPLUS AT END OF THE PERIOD	-	-	1,083,517	427,150

……..continued on page 5

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS

(UNAUDITED) (continued)

…………..continued from page 4

	For the three month period ended 30 June		For the six month period ended 30 June	
	2014 (Unaudited) SR	2013 (Unaudited) SR	2014 (Unaudited) SR	2013 (Unaudited) SR
NET RESULT FOR THE PERIOD	-	188,756	350,377	427,150
OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:				
Realized (gain) loss from available for sale investments	(931,571)	35,761	(1,354,833)	35,761
Change in fair values of available for sale investments	1,181,620	(248,857)	2,158,274	(294,665)
Net change in fair values of available for sale investments	250,049	(213,096)	803,441	(258,904)
Total comprehensive income (loss) for the period	250,049	(24,340)	1,153,818	168,246

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2014 (Unaudited) SR	2013 (Unaudited) SR	2014 (Unaudited) SR	2013 (Audited) SR
(Deficit) surplus transferred from insurance operations		(131,228)	1,698,803	3,153,394	3,844,348
EXPENSES					
General and administrative		(438,050)	(491,638)	(1,051,122)	(1,051,775)
(LOSS) INCOME FROM OPERATIONS		(569,278)	1,207,165	2,102,272	2,792,573
Special commission income from time deposits	5	79,707	87,359	139,427	192,460
Special commission income from available for sale investments		241,070	289,916	507,884	565,599
Realized gain from available for sale investments		10,358	556,654	573,753	1,158,657
(LOSS) INCOME BEFORE ZAKAT		(238,143)	2,141,094	3,323,336	4,709,289
Zakat	12	(620,437)	(938,979)	(1,100,307)	(1,507,555)
NET (LOSS) INCOME FOR THE PERIOD		(858,580)	1,202,115	2,223,029	3,201,734
OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:					
Realized gain from available for sale investments transferred to income		(10,358)	(556,654)	(573,753)	(1,158,657)
Change in fair values of available for sale investments	8(ii)(b)	401,638	(1,418,498)	1,508,412	(1,264,382)
Net change in fair values of available for sale investments		391,280	(1,975,152)	934,659	(2,423,039)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(467,300)	(773,037)	3,157,688	778,695
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE FOR THE PERIOD	14	(0.07)	0.09	0.17	0.25

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

For the six month period ended 30 June 2014

	Share capital	Accumulated losses	Change in fair values of available for sale investments	Total
	SR	SR	SR	SR
Balance as at 1 January 2013	130,000,000	(63,766,512)	986,012	67,219,500
Net income for the period	-	3,201,734	-	3,201,734
Other comprehensive loss for the period	-	-	(2,423,039)	(2,423,039)
Total comprehensive income for the period	-	3,201,734	(2,423,039)	778,695
Balance as at 30 June 2013	130,000,000	(60,564,778)	(1,437,027)	67,998,195
Balance as at 1 January 2014	130,000,000	(58,728,974)	(789,870)	70,481,156
Net income for the period	-	2,223,029	-	2,223,029
Other comprehensive income for the period	-	-	934,659	934,659
Total comprehensive income for the period	-	2,223,029	934,659	3,157,688
Balance as at 30 June 2014	130,000,000	(56,505,945)	144,789	73,638,844

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)

		For the six month period ended	
	Note	30 June 2014 SR	30 June 2013 SR
OPERATING ACTIVITIES			
Net result for the period		350,377	427,150
Adjustments for:			
Surplus transferred to shareholders' operations		3,153,394	3,844,348
Depreciation		745,704	1,042,110
Provision for employees' end of service benefits		529,678	365,879
Allowance for of doubtful debts		4,864,601	1,733,032
Special commission income from time deposits		(629,293)	(308,841)
Special commission income from available for sale investments		(106,840)	(298,019)
Dividend income		(144,388)	-
Realized gain from available for sale investments		(1,354,833)	35,761
(Gain) loss on disposal of property and equipment		(17,701)	709
Net surplus before changes in operating assets and liabilities		7,390,699	6,842,129
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivable		(32,601,460)	(15,577,463)
Reinsurers' share of outstanding claims		(4,130,119)	(3,230,418)
Prepayments and other assets		1,626,062	(9,966,379)
Deferred policy acquisition costs		(6,602,213)	(3,242,783)
Reinsurers' share of unearned premiums		5,271,646	(15,307,769)
Gross outstanding claims		11,953,339	8,501,018
Reinsurance and insurance balances payable		5,146,110	11,856,371
Accrued expenses and other liabilities		1,062,524	710,359
Unearned reinsurance commission		1,682,770	1,279,410
Gross unearned premiums		59,355,985	30,632,186
Premium deficiency and other reserves		4,658,441	1,083,570
Cash from operating activities		54,813,784	13,580,231
Employees' end of service benefits paid		(31,776)	(95,766)
Net cash from operating activities		54,782,008	13,484,465
INVESTING ACTIVITIES			
Time deposits	6	(59,000,013)	(20,445,068)
Purchase of available for sale investments	8 (i)(b)	(22,692,176)	(2,370,000)
Proceeds from available for sale investments	8 (i)(b)	9,773,986	2,416,169
Purchase of held to maturity investments		-	(8,000,000)
Special commission income from time deposits		629,293	308,841
Special commission income from available for sale investments		106,840	298,019
Dividend income		144,388	-
Purchase of property and equipment		(958,486)	(674,549)
Proceeds from disposal of property and equipment		17,701	1,000
Net cash used in investing activities		(71,978,467)	(28,465,588)
FINANCING ACTIVITY			
Due from shareholders' operations		(428,483)	(2,239,233)
Net cash used in financing activity		(428,483)	(2,239,233)
DECREASE IN CASH AND CASH EQUIVALENTS		(17,624,942)	(17,220,356)
Cash and cash equivalents at beginning of the period		121,530,428	83,841,589
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	103,905,486	66,621,233
Non-cash transactions:			
Transfer of surplus to shareholders' comprehensive operations		3,153,394	3,844,348
Net change in fair values of available for sale investments		803,441	(258,904)

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

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

		For the six month period ended	
	Note	30 June 2014 SR	30 June 2013 SR
OPERATING ACTIVITIES			
Income before zakat		3,323,336	4,709,289
Adjustments for:			
Surplus transferred from insurance operations		(3,153,394)	(3,844,348)
Special commission income from time deposits		(139,427)	(192,460)
Special commission income from available for sale investments		(507,884)	(565,599)
Realised gain from available for sale investments		(573,753)	(1,158,657)
Net deficit before changes in operating assets and liabilities		(1,051,122)	(1,051,775)
Changes in operating assets and liabilities:			
Prepayments and other assets		(290,501)	(104,791)
Statutory deposit		(86,709)	(46,393)
Accrued expenses and other liabilities		(76,471)	259,994
Due to a related party		(10,565)	14,000
Cash used in operations		(1,515,368)	(928,965)
Zakat paid	12	-	(2,111,164)
Net cash used in operating activities		(1,515,368)	(3,040,129)
INVESTING ACTIVITIES			
Special commission income from time deposits		139,427	192,460
Special commission income from available for sale investments		507,884	565,599
Purchase of available for sale investments	8(ii)(b)	(3,771,587)	(23,595,153)
Sale of available for sale investments	8(ii)(b)	7,972,732	24,882,141
Net cash from investing activities		4,848,456	2,045,047
FINANCING ACTIVITIES			
Due to insurance operations		428,483	2,239,233
Net cash from financing activities		428,483	2,239,233
INCREASE IN CASH AND CASH EQUIVALENTS		3,761,571	1,244,151
Cash and cash equivalents at the beginning of the period		13,523,880	33,870,831
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	17,285,451	35,114,982
Non-cash transactions:			
Transfer of surplus from insurance operations		(3,153,394)	(3,844,348)
Net change in fair values of available for sale investments		934,659	(2,423,039)

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is in the process of increasing its share capital through a rights issue which will increase the share capital of the Company from Saudi Riyals 130,000,000 to Saudi Riyals 250,000,000. As at the reporting date, conditional approvals have been obtained from the Saudi Arabian Monetary Agency ("SAMA").

2 SURPLUS TRANSFERRED TO SHAREHOLDERS' OPERATIONS

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The insurance operations resulted in a surplus for the six month period ended 30 June 2014 amounting to SR 3.5 million (30 June 2013: SR 4.3 million). Accordingly, 90% of the net surplus amounting to SR 3.1 million (30 June 2013: SR 3.8 million) has been transferred to the shareholders' operations.

Accumulated surplus at the end of the period is presented only under the six month period ended 30 June 2014 in the statement of comprehensive income.

3 BASIS OF MEASUREMENT

Basis of measurement

The interim condensed financial statements have been prepared under the historical cost basis except for the measurement at fair value of "available for sale investments".

Statement of compliance

The accompanying interim condensed financial statements for the three and six months period ended 30 June 2014 (the "period") are prepared in accordance with IAS 34 – Interim Financial Reporting, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2013.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

The interim results may not be indicative of the Company's annual results.

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting and risk management 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:

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 amendments have no impact on the Company.

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. These amendments have no impact to the Company as the Company has not entered transacted any derivative during the current or prior periods.

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

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

Standards issued but not yet effective

The 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:

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.

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.

5 CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	103,905,486	7,160,181	113,655,218	13,523,880
Short term deposits	-	10,125,270	7,875,210	-
Cash and cash equivalents	103,905,486	17,285,451	121,530,428	13,523,880

Short term time deposits placed with local banks have an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.83% per annum (2013: 0.65%). The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

6 TIME DEPOSITS

Time deposits amounting to SR 59,000,013 (31 December 2013: SR nil) are placed with counterparties which have investment grade credit ratings, as rated by international rating agencies.

Time deposits are placed with local and international banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 2.04% per annum (31 December 2013: nil).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

7 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

Premiums and reinsurance balances receivable are comprised of the following:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premiums receivable	66,059,178	34,217,620
Less: Allowance for doubtful debts	(12,489,785)	(7,909,106)
	53,569,393	26,308,514
Reinsurance balances receivable	3,021,358	2,261,456
Less: Allowance for doubtful debts	(1,103,629)	(819,707)
	1,917,729	1,441,749
Total premiums and reinsurance balances receivable, net	55,487,122	27,750,263

8 INVESTMENTS

(i) Insurance operations (Available for sale)

(a) Available for sale ("AFS") investments amounting to SR 15,076,464 comprise of a portfolio of local quoted equity securities managed at the discretion of a locally regulated financial institution ("DPM"). There were no AFS investments as at 31 December 2013 held under the insurance operations.

(b) The movement during the period in AFS was as follows:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	SR	SR
At the beginning of the period / year	-	8,050,824
Purchased during the period / year	22,692,176	2,398,868
Sold during the period / year	(9,773,986)	(10,440,440)
	12,918,190	9,252
Change in fair values	2,158,274	(9,252)
At the end of the period / year	15,076,464	-

The cumulative change in fair value of this portfolio amounting to SR 803,441 (31 December 2013: SR Nil) is presented within 'insurance operations surplus' in the interim statement of financial position and the current period change in fair value has been reported in the interim statement of insurance comprehensive operations' under 'other comprehensive income (loss) to be reclassified subsequently to the income statement'.

The Company accounts the gain / loss in the DPM portfolio as realised gains / loss once the individual securities within the DPM portfolio are sold. Accordingly, during the six month period ended 30 June 2014, the DPM manager sold SR 9.77 million of securities and realised a gain of SR 1.35 million which has been considered in the statement of comprehensive income of the insurance operations. The DPM portfolio at the end of 30 June 2014 comprised of SR 10.66 million of equity securities, SR 581 Thousands invested in an initial public offering and SR 3.84 million in cash.

8 INVESTMENTS (continued)

(i) Insurance operations (Held to maturity)

(c) Held to Maturity ("HTM") investment amounting to SR 8,000,000 (31 December 2013 : SR 8,000,000) comprised of secured unquoted Sukuk issued by an unquoted company registered in the Kingdom of Saudi Arabia and maturing on 7 April 2015. The rate of return on the Sukuk is calculated based on 3-month Saudi Inter-Bank Offered Rate ("SIBOR") plus a margin of 170 basis points per annum and paid quarterly. Management is of the opinion that the fair value of the HTM investment as at 30 June 2014 was not materially different from its carrying value.

(ii) Shareholders operations

(a) Available for sale investments of shareholders operations comprise the following:

	Source of fair value	30 June 2014 (Unaudited)	31 December 2013 (Audited)
		SR	SR
GCC bonds and sukuks	Quoted	25,533,686	26,185,907
Units in local trading fund	NAV**	21,552,615	21,194,005
Units in local real estate funds	NAV**	4,678,925	4,782,400
Local equity investment	Quoted	-	2,295,647
Unquoted local equity investment	Unquoted	1,923,078	1,923,078
		53,688,304	56,381,037

** NAV: Net Asset Value as announced by asset manager.

(b) The movement during the period / year in available for sale investments are as follows:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	SR	SR
At the beginning of the period / year	56,381,037	34,540,378
Purchased during the period / year	3,771,587	48,877,553
Sold during the period / year	(7,972,732)	(26,874,265)
	52,179,892	56,543,666
Change in fair values	1,508,412	(162,629)
At the end of the period / year	53,688,304	56,381,037

The cumulative change in fair values of available for sale investments of shareholders' operations amounting to SR 144,789 (31 December 2013: SR (789,870)) is presented within shareholders' equity in the interim statement of financial position.

9 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest amounting to SR 243,810 (31 December 2013: SR 157,101) has been included under statutory deposit and accrued expenses and other liabilities.

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) The following are the details of major related party transactions during the period and the related balances at the end of the period:

		Amounts of transactions	
Related party	Nature of transactions	30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR
Shareholders	Gross written premiums	19,909,669	15,563,390
	Reinsurance premium ceded	(291,061)	(828,528)
	Gross claims incurred	(8,600,129)	(1,456,286)
	General and administrative expenses	(10,565)	(14,000)
Board of directors and committees' members	Remuneration fees, allowances and other expenses	(330,500)	(598,000)
	Gross written premiums	15,660,101	13,830,014
	Insurance brokerage contracts	(4,653,700)	(2,752,206)

Balances in respect of the above transactions with related parties are included in the relevant accounts in the interim statements of financial position and comprehensive income.

b) Compensation of key management personnel

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

	For the six month period ended 30 June	
	2014 (Unaudited) SR	2013 (Unaudited) SR
Short-term benefits	1,396,860	1,527,953
End of service benefits	122,530	64,872
	1,519,390	1,592,825

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. Equity investment in an unquoted company categorised under AFS is carried at cost.

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

	Level 1	Level 2	Level 3	Total
2014	SR	SR	SR	SR
GCC bonds and sukuks	20,033,686	5,500,000	-	25,533,686
Trading and real estate funds	-	26,231,540	-	26,231,540
Equities	15,076,464	-	1,923,078	16,999,542
	35,110,150	31,731,540	1,923,078	68,764,768
2013				
GCC bonds and sukuks	20,685,907	5,500,000	-	26,185,907
Trading and real estate funds	-	25,976,405	-	25,976,405
Equities	2,295,647	-	1,923,078	4,218,725
	22,981,554	31,476,405	1,923,078	56,381,037

Transfers between levels

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

During the six-month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

There were no recurring fair value measurements categorised within Level 3 of the fair value hierarchy as set out in the table above.

12 ZAKAT

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	SR	SR
At the beginning of the period / year	7,364,263	7,069,613
Provided for the period / year	1,000,255	1,761,388
Adjustments on prior years	100,052	644,426
Payments during the period / year	-	(2,111,164)
At the end of the period / year	8,464,570	7,364,263

Status of assessments

The Company has filed its zakat returns for all the years ended upto 31 December 2013.

On review of the zakat return by the Department of Zakat and Income tax ("DZIT") for the long period ended 31 December 2010, a demand of SR 2,256,659 was raised by the DZIT. The Company paid this demand and filed an appeal with DZIT. During the current period this year, DZIT revised its assessment of the zakat return for the long period ended 31 December 2010 after taking into consideration the effect of portfolio transfer and raised an additional demand of SR 100,052. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

On review of the zakat return by the DZIT for the year ended 31 December 2011, a demand of SR 2,378,604 has been raised by the DZIT. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

On review of the zakat return by the DZIT for the year ended 31 December 2012, an additional demand of SR 544,407 has been raised by the DZIT. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

As at the reporting date, no demand or assessments have been carried out by the DZIT for the year ended 31 December 2013.

13 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, allowance for doubtful debts, special commission income on time deposits and investments, dividend income, gain or loss on property and equipment and investments.

Segment assets do not include insurance operations' property and equipment, held to maturity investment, AFS investments, prepayments and other assets, premiums and reinsurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

Operating segments For the three month period ended 30 June 2014 (Unaudited)	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	8,929,013	49,243,138	5,080,409	54,658,456	2,679,378	120,590,394
Reinsurance premiums ceded	(8,327,960)	(12,328)	(3,739,761)	(536)	(1,845,556)	(13,926,141)
Excess of loss premiums	(67,166)	(602,000)	(221,325)	(220,000)	(89,050)	(1,199,541)
Net premiums written	533,887	48,628,810	1,119,323	54,437,920	744,772	105,464,712
Movement in unearned premiums, net	(125,037)	(5,516,321)	396,222	(39,320,469)	(273,554)	(44,839,159)
Net premiums earned	408,850	43,112,489	1,515,545	15,117,451	471,218	60,625,553
Reinsurance commission income	1,296,607	20,933	1,067,189	-	725,238	3,109,967
Policy fees	7,915	2,050,925	65,840	-	6,695	2,131,375
Total revenues	1,713,372	45,184,347	2,648,574	15,117,451	1,203,151	65,866,895
Net claims paid	(52,874)	(35,775,153)	(125,625)	(1,528,386)	(27,616)	(37,509,654)
Movement in outstanding claims, net	(160,800)	(3,076,962)	(637,725)	(169,298)	(108,562)	(4,153,347)
Movement in premium deficiency and other reserves, net	-	(1,642,037)	-	-	-	(1,642,037)
Net claims incurred	(213,674)	(40,494,152)	(763,350)	(1,697,684)	(136,178)	(43,305,038)
Policy acquisition costs	(843,612)	(3,998,405)	(326,020)	(1,917,071)	(321,482)	(7,406,590)
Inspection and supervision fees	(19,430)	(245,350)	(22,248)	(819,873)	(11,322)	(1,118,223)
Other underwriting expenses	(36,450)	(292,194)	-	(1,722,191)	-	(2,050,835)
Total underwriting costs	(1,113,166)	(45,030,101)	(1,111,618)	(6,156,819)	(468,982)	(53,880,686)
Net underwriting surplus	600,206	154,246	1,536,956	8,960,632	734,169	11,986,209
Unallocated expenses						(13,582,981)
Unallocated income						1,465,544
Deficit from insurance operations						(131,228)

13 SEGMENT INFORMATION (continued)

Operating segments For the three month period ended 30 June 2013 (Unaudited)	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	4,427,814	30,959,456	4,479,847	28,490,182	1,319,373	69,676,672
Reinsurance premiums ceded	(4,092,272)	(986)	(3,323,884)	(11,186,898)	(1,047,430)	(19,651,470)
Excess of loss premiums	(27,320)	(618,750)	(183,141)	-	(19,885)	(849,096)
Net premiums written	308,222	30,339,720	972,822	17,303,284	252,058	49,176,106
Movement in unearned premiums, net	(23,112)	2,826,978	813,567	(8,387,602)	236,025	(4,534,144)
Net premiums earned	285,110	33,166,698	1,786,389	8,915,682	488,083	44,641,962
Reinsurance commission income	953,557	21,040	1,886,286	-	728,516	3,589,399
Policy fees	2,700	1,038,235	47,720	-	2,060	1,090,715
Total revenues	1,241,367	34,225,973	3,720,395	8,915,682	1,218,659	49,322,076
Net claims paid	(368,074)	(25,781,331)	(569,311)	(270,845)	(163,972)	(27,153,533)
Movement in outstanding claims, net	(248,007)	(1,101,794)	1,780,908	(2,040,622)	(120,982)	(1,730,497)
Movement in premium eficiency and other reserves, net	617,913	(281,842)	-	-	(64,951)	271,120
Net claims incurred	1,832	(27,164,967)	1,211,597	(2,311,467)	(349,905)	(28,612,910)
Policy acquisition costs	(423,198)	(2,861,668)	(584,827)	(1,442,730)	(315,879)	(5,628,302)
Inspection and supervision fees	(12,007)	(154,484)	(20,828)	(427,353)	(5,556)	(620,228)
Other underwriting expenses	(43,900)	(174,170)	-	(1,040,232)	-	(1,258,302)
Total underwriting costs	(477,273)	(30,355,289)	605,942	(5,221,782)	(671,340)	(36,119,742)
Net underwriting surplus	764,094	3,870,684	4,326,337	3,693,900	547,319	13,202,334
Unallocated expenses						(11,624,001)
Unallocated income						309,226
Surplus from insurance operations						1,887,559

13 SEGMENT INFORMATION (continued)

Operating segments For the six month period ended 30 June 2014 (Unaudited)	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	16,891,271	113,961,796	9,784,622	61,241,382	8,643,876	210,522,947
Reinsurance premiums ceded	(15,546,889)	(14,927)	(6,702,264)	(340)	(6,536,081)	(28,800,501)
Excess of loss premiums	(95,541)	(1,501,137)	(442,650)	(440,000)	(178,100)	(2,657,428)
Net premiums written	1,248,841	112,445,732	2,639,708	60,801,042	1,929,695	179,065,018
Movement in unearned premiums, net	(516,628)	(31,025,977)	(328,406)	(31,799,149)	(957,471)	(64,627,631)
Net premiums earned	732,213	81,419,755	2,311,302	29,001,893	972,224	114,437,387
Reinsurance commission income	2,390,771	40,663	1,992,220	-	1,452,614	5,876,268
Policy fees	20,115	4,418,815	128,845	-	13,240	4,581,015
Total revenues	3,143,099	85,879,233	4,432,367	29,001,893	2,438,078	124,894,670
Net claims paid	(264,305)	(64,566,912)	(301,663)	(3,013,211)	(214,796)	(68,360,887)
Movement in outstanding claims, net	(206,350)	(6,626,521)	(502,064)	(209,591)	(278,694)	(7,823,220)
Movement in premium deficiency and other reserves, net	-	(4,658,441)	-	-	-	(4,658,441)
Net claims incurred	(470.655)	(75,851,874)	(803,727)	(3,222,802)	(493,490)	(80,842,548)
Policy acquisition costs	(1,337,866)	(7,145,752)	(528,234)	(4,005,999)	(635,655)	(13,653,506)
Inspection and supervision fees	(41,604)	(568,469)	(43,750)	(918,617)	(37,776)	(1,610,216)
Other underwriting expenses	(84,970)	(631,545)	-	(3,038,051)	-	(3,754,566)
Total underwriting costs	(1,935,095)	(84,197,640)	(1,375,711)	(11,185,469)	(1,166,921)	(99,860,836)
Net underwriting surplus	1,208,004	1,681,593	3,056,656	17,816,424	1,271,157	25,033,834
Unallocated expenses						(23,783,118)
Unallocated income						2,253,055
Surplus from insurance operations						3,503,771

13 SEGMENT INFORMATION (continued)

Operating segments For the six month period ended 30 June 2013 (Unaudited)	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	12,623,065	65,051,166	10,594,895	55,828,278	6,003,078	150,100,482
Reinsurance premiums ceded	(11,662,459)	(62,705)	(7,469,404)	(21,689,773)	(5,190,102)	(46,074,443)
Excess of loss premiums	(54,640)	(1,237,500)	(366,282)	-	(39,770)	(1,698,192)
Net premiums written	905,966	63,750,961	2,759,209	34,138,505	773,206	102,327,847
Movement in unearned premiums, net	(380,069)	6,278,465	29,178	(21,441,906)	189,915	(15,324,417)
Net premiums earned	525,897	70,029,426	2,788,387	12,696,599	963,121	87,003,430
Reinsurance commission income	1,920,038	44,111	2,790,675	-	1,419,300	6,174,124
Policy fees	8,605	2,091,519	108,350	-	5,970	2,214,444
Total revenues	2,454,540	72,165,056	5,687,412	12,696,599	2,388,391	95,391,998
Net claims paid	(410,993)	(55,477,189)	(629,624)	(727,407)	(278,535)	(57,523,748)
Movement in outstanding claims, net	(945,243)	3,183,942	1,692,646	(2,279,423)	(186,560)	1,465,362
Movement in premium deficiency and other reserves, net	(736,777)	(281,842)	-	-	(64,951)	(1,083,570)
Net claims incurred	(2,093,013)	(52,575,089)	1,063,022	(3,006,830)	(530,046)	(57,141,956)
Policy acquisition costs	(852,265)	(6,469,249)	(808,117)	(2,060,356)	(615,179)	(10,805,166)
Inspection and supervision fees	(35,999)	(324,633)	(49,254)	(837,424)	(27,114)	(1,274,424)
Other underwriting expenses	(51,500)	(342,774)	-	(1,539,454)	-	(1,933,728)
Total underwriting costs	(3,032,777)	(59,711,745)	205,651	(7,444,064)	(1,172,339)	(71,155,274)
Net underwriting surplus (deficit)	(578,237)	12,453,311	5,893,063	5,252,535	1,216,052	24,236,724
Unallocated expenses						(20,572,086)
Unallocated income						606,860
Surplus from insurance operations						4,271,498

13 SEGMENT INFORMATION (continued)

Operating segments As at 30 June 2014	Property	Motor	Marine	Medical	Others	Total
	SR	SR	SR	SR	SR	SR
ASSETS						
Reinsurers' share of unearned premiums	10,593,804	1,211	3,751,617	2,082,139	6,336,895	22,765,666
Reinsurers' share of outstanding claims	17,011,798	2,662,370	6,616,677	5,047,316	11,557,962	42,896,123
Deferred policy acquisition costs	1,105,412	8,765,486	297,676	6,052,117	912,867	17,133,558
SEGMENT ASSETS	28,711,014	11,429,067	10,665,970	13,181,572	18,807,724	82,795,347
Unallocated assets						254,190,013
TOTAL ASSETS						336,985,360
LIABILITIES						
Gross unearned premiums	11,511,466	98,030,441	5,097,105	61,583,218	7,964,019	184,186,249
Gross outstanding claims	18,780,478	43,389,424	10,228,726	10,964,417	13,317,630	96,680,675
Unearned reinsurance commission	2,414,495	91	1,357,334	-	1,716,716	5,488,636
Premium deficiency and other reserves	100,000	9,360,587	-	-	-	9,460,587
SEGMENT LIABILITIES	32,806,439	150,780,543	16,683,165	72,547,635	22,998,365	295,816,147
Unallocated liabilities						41,169,213
TOTAL LIABILITIES						336,985,360

Operating segments As at 31 December 2013 (Audited)	Property	Motor	Marine	Medical	Others	Total
	SR	SR	SR	SR	SR	SR
ASSETS						
Reinsurers' share of unearned premiums	5,809,175	528,453	2,524,448	13,492,819	5,682,417	28,037,312
Reinsurers' share of outstanding claims	13,043,722	3,409,224	5,738,083	8,464,853	8,110,122	38,766,004
Deferred policy acquisition costs	564,176	5,034,139	200,747	4,035,325	696,958	10,531,345
SEGMENT ASSETS	19,417,073	8,971,816	8,463,278	25,992,997	14,489,497	77,334,661
Unallocated assets						174,139,810
TOTAL ASSETS						251,474,471
LIABILITIES						
Gross unearned premiums	6,210,209	67,531,706	3,541,530	41,194,749	6,352,070	124,830,264
Gross outstanding claims	14,606,052	37,509,757	8,848,068	14,172,362	9,591,097	84,727,336
Unearned reinsurance commission	1,312,149	39,634	919,126	-	1,534,957	3,805,866
Premium deficiency and other reserves	100,000	4,702,146	-	-	-	4,802,146
SEGMENT LIABILITIES	22,228,410	109,783,243	13,308,724	55,367,111	17,478,124	218,165,612
Unallocated liabilities						33,308,859
TOTAL LIABILITIES						251,474,471

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period has been calculated by dividing the net income for the period by the ordinary issued and outstanding shares at the period end of 13 million shares.

15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 18 Ramadan 1435H, (corresponding to 15 July 2014).

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

Financial Statements

AND INDEPENDENT AUDITORS' REPORT

For THE YEAR ENDED 31 December 2013

EY
Building a better working world

Al Bassam
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2013, the related statements of insurance and shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulation for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366

Al Bassam Certified Public Accountants & Consultants
P O Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

18 Rabi Thani 1435H
(18 February 2014)

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 SR	2012 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	121,530,428	83,841,589
Premiums and reinsurance balances receivable, net	8(a)	27,750,263	31,743,493
Due from shareholders' operations		3,288,847	6,231,910
Available for sale investments	12(i)(a)	-	8,050,824
Reinsurers' share of outstanding claims	10(a)	38,766,004	27,789,918
Prepayments and other assets	7	10,271,255	4,932,541
Deferred policy acquisition costs	9(a)	10,531,345	8,172,281
Reinsurers' share of unearned premiums	9(b)	28,037,312	21,636,698
Held to maturity investment	12(i)(c)	8,000,000	-
Property and equipment, net	11	3,299,017	4,460,391
TOTAL INSURANCE OPERATIONS' ASSETS		251,474,471	196,859,645
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	13,523,880	33,870,831
Available for sale investments	12(ii)(a)	56,381,037	34,540,378
Prepayments and other assets	7	261,032	836,300
Statutory deposit		13,157,101	13,110,708
TOTAL SHAREHOLDERS' ASSETS		83,323,050	82,358,217
TOTAL ASSETS		334,797,521	279,217,862

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2013

	Note	2013 SR	2012 SR
INSURANCE OPERATIONS' LIABILITIES & SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	10(a)	84,727,336	65,459,524
Reinsurance and insurance balances payable	14	21,968,981	24,309,413
Accrued expenses and other liabilities	16	8,545,707	7,374,974
Employees' end of service benefits	17	2,061,031	1,480,899
Unearned reinsurance commission	9(c)	3,805,866	3,621,073
Gross unearned premiums	9(b)	124,830,264	91,952,351
Other reserves		4,802,146	2,652,159
TOTAL INSURANCE OPERATIONS' LIABILITIES		250,741,331	196,850,393
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		733,140	-
Changes in fair values of available for sale investments	12(i)(b)	-	9,252
TOTAL INSURANCE OPERATIONS' LIABILITIES & SURPLUS		251,474,471	196,859,645
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat payable	19	7,364,263	7,069,613
Accrued expenses and other liabilities	16	2,152,540	1,828,987
Due to a related party	15	36,244	8,207
Due to insurance operations		3,288,847	6,231,910
TOTAL SHAREHOLDERS' LIABILITIES		12,841,894	15,138,717
SHAREHOLDERS' EQUITY			
Share capital	18	130,000,000	130,000,000
Accumulated losses		(58,728,974)	(63,766,512)
Change in fair values of available for sale investments	12(ii)(b)	(789,870)	986,012
TOTAL SHAREHOLDERS' EQUITY		70,481,156	67,219,500
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		83,323,050	82,358,217
TOTAL LIABILITIES AND EQUITY		334,797,521	279,217,862

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS
For the year ended 31 December 2013

	Note	2013 SR	2012 SR
Gross written premiums	9 (b)	279,283,805	233,540,257
Reinsurance premiums ceded	9 (b)	(75,499,465)	(48,029,284)
Excess of loss premiums	9 (b)	(5,046,810)	(8,827,530)
NET PREMIUMS WRITTEN		198,737,530	176,683,443
Movement in unearned premiums, net	9 (b)	(26,477,299)	(37,791,727)
NET PREMIUMS EARNED	9 (b)	172,260,231	138,891,716
Reinsurance commission income	9 (c)	14,145,154	11,441,970
Policy fees		6,513,376	2,638,665
TOTAL REVENUES		192,918,761	152,972,351
Gross claims paid	10 (a)	(130,216,178)	(106,410,851)
Reinsurance share of claims paid	10 (a)	22,162,976	8,257,195
NET CLAIMS PAID		(108,053,202)	(98,153,656)
Movement in outstanding claims, net	10 (a)	(8,291,726)	(20,333,446)
Movement in other reserves	10 (a)	(2,149,987)	(207,496)
NET CLAIMS INCURRED		(118,494,915)	(118,694,598)
Policy acquisition costs	9 (a)	(22,854,674)	(20,680,763)
Inspection and supervision fees		(2,251,094)	(1,337,301)
Third party administrator fees		(4,161,975)	(421,743)
Other underwriting expenses		(1,134,605)	(657,457)
TOTAL UNDERWRITING COSTS		(148,897,263)	(141,791,862)
NET UNDERWRITING SURPLUS		44,021,498	11,180,489
General and administrative expenses	20	(37,809,687)	(31,836,378)
(Reversal of) allowance for doubtful debts	8(c)	(49,592)	2,277,933
Special commission income from time deposits	6	700,508	585,650
Special commission income from investments		567,264	69,613
Realized loss from available for sale investments		(98,740)	-
Gain (loss) on disposal of property and equipment		149	(28)
SURPLUS (DEFICIT) FROM INSURANCE OPERATIONS		7,331,400	(17,722,721)
(Surplus) deficit transferred to shareholders' operations		(6,598,260)	17,722,721
NET RESULT FOR THE YEAR		733,140	-
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED SUBSEQUENTLY TO INCOME:			
Realised loss on available for sale investments transferred to income		98,740	-
Change in fair values of available for sale investments	12(i) (b)	(98,740)	9,252
Total comprehensive income for the year		733,140	9,252

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

For the year ended 31 December 2013

	Note	2013 SR	2012 SR
Surplus (deficit) transferred from insurance operations		6,598,260	(17,722,721)
EXPENSES			
General and administrative	20	(2,190,890)	(2,417,042)
INCOME (LOSS) FROM OPERATIONS		4,407,370	(20,139,763)
Special commission income from time deposits	6	288,488	321,687
Special commission income from available for sale investments		1,134,241	1,194,212
Realized gain from available for sale investments		1,613,253	840,823
INCOME (LOSS) BEFORE ZAKAT		7,443,352	(17,783,041)
Zakat	19	(2,405,814)	(1,217,266)
NET INCOME (LOSS) FOR THE YEAR		5,037,538	(19,000,307)
OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO INCOME:			
Realized gain from available for sale investments transferred to income		(1,613,253)	(840,823)
Change in fair values of available for sale investments	12(ii)(b)	(162,629)	1,931,732
Other comprehensive (loss) income for the year		(1,775,882)	1,090,909
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		3,261,656	(17,909,398)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (AFTER ZAKAT) FOR THE YEAR	21	0.39	(1.46)

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2013

	Share Capital	Accumulated losses	Change in fair value of available for sale investments	Total
	SR	SR	SR	SR
2012				
Balance as at 1 January 2012	130,000,000	(44,766,205)	(104,897)	85,128,898
Net loss for the year		(19,000,307)		(19,000,307)
Other comprehensive income for the year			1,090,909	1,090,909
Total comprehensive (loss) income for the year		(19,000,307)	1,090,909	(17,909,398)
Balance as at 31 December 2012	130,000,000	(63,766,512)	986,012	67,219,500
2013				
Balance as at 1 January 2013	130,000,000	(63,766,512)	986,012	67,219,500
Net income for the year		5,037,538		5,037,538
Other comprehensive loss for the year			(1,775,882)	(1,775,882)
Total comprehensive income (loss) for the year	-	5,037,538	(1,775,882)	3,261,656
Balance as at 31 December 2013	130,000,000	(58,728,974)	(789,870)	70,481,156

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
For the year ended 31 December 2013

	Note	2013 SR	2012 SR
OPERATING ACTIVITIES			
Net result for the year		733,140	(17,722,721)
Adjustments for:			
Surplus transferred to shareholders' operations		6,598,260	-
Depreciation	11	2,063,002	1,827,744
Provision for employees' end of service benefits	17	750,837	734,060
(Reversal of) allowance for doubtful debts	8	49,592	(2,277,933)
Special commission income from time deposits		(700,508)	(585,650)
Special commission income from investments		(567,264)	(69,613)
Realized loss from available for sale investments		98,740	-
(Gain) loss on disposal of property and equipment		(149)	28
Net surplus (deficit) before changes in operating assets and liabilities		9,025,650	(18,094,085)
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivable		3,943,638	8,305,949
Prepayments and other assets		(5,338,714)	(3,615,919)
Reinsurers' share of outstanding claims		(10,976,086)	(11,367,884)
Deferred policy acquisition costs		(2,359,064)	(556,100)
Reinsurers' share of unearned premiums		(6,400,614)	(8,832,466)
Gross outstanding claims		19,267,812	31,701,329
Reinsurance and insurance balances payable		(2,340,432)	8,773,309
Accrued expenses and other liabilities		1,170,733	3,366,818
Unearned reinsurance commission		184,793	210,723
Gross unearned premiums		32,877,913	46,624,193
Other reserves		2,149,987	207,496
Cash from operating activities		41,205,616	56,723,363
Employees' end of service benefits paid	17	(170,705)	(46,582)
Net cash from operating activities		41,034,911	56,676,781
INVESTING ACTIVITIES			
Purchase of property and equipment	11	(903,339)	(1,065,000)
Purchase of available for sale investments	12(i)(b)	(2,398,868)	(8,041,572)
Proceeds from sale of available for sale investments	12(i)(b)	10,440,440	-
Purchase of held to maturity investments	12(i)(c)	(8,000,000)	-
Special commission income from time deposits		700,508	585,650
Special commission income from investments		567,264	69,613
Realized loss from available for sale investments		(98,740)	-
Proceeds from disposal of property and equipment		1,860	5,025
Net cash from (used in) investing activities		309,125	(8,446,284)
FINANCING ACTIVITY			
Due from shareholders' operations		(3,655,197)	(62,496)
Net cash used in financing activity		(3,655,197)	(62,496)

……..continued on page 8

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (continued)

For the year ended 31 December 2013

............continued from page 7

	Note	2013 SR	2012 SR
INCREASE IN CASH AND CASH EQUIVALENTS		37,688,839	48,168,001
Cash and cash equivalents at beginning of the year		83,841,589	35,673,588
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	121,530,428	83,841,589
Non-cash transactions:			
Transfer of surplus (deficit) to shareholders' comprehensive operations		6,598,260	(17,722,721)
Net change in fair value of available for sale investments	12(i)(b)	-	9,252

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the year ended 31 December 2013

	Note	2013 SR	2012 SR
OPERATING ACTIVITIES			
Income (loss) before zakat		7,443,352	(17,783,041)
Adjustments for:			
(Surplus) deficit transferred from insurance operations		(6,598,260)	17,722,721
Special commission income from time deposits		(288,488)	(321,687)
Special commission income from available for sale investments		(1,134,241)	(1,194,212)
Realized gain from available for sale investments		(1,613,253)	(840,823)
Net deficit before changes in operating assets and liabilities		(2,190,890)	(2,417,042)
Changes in operating assets and liabilities:			
Prepayments and other assets		575,268	(13,952)
Statutory deposit		(46,393)	(110,708)
Accrued expenses and other liabilities		323,553	(40,324)
Due to a related party		28,037	(66,497)
Cash used in operations		(1,310,425)	(2,648,523)
Zakat paid	19	(2,111,164)	-
Net cash used in operating activities		(3,421,589)	(2,648,523)
INVESTING ACTIVITIES			
Special commission income from time deposits		288,488	321,687
Special commission income from available for sale investments		1,134,241	1,194,212
Purchase of available for sale investments	12(ii)(b)	(48,877,553)	(19,025,330)
Proceeds from sale of available for sale investments	12(ii)(b)	26,874,265	20,586,908
Net cash (used in) from investing activities		(20,580,559)	3,077,477
FINANCING ACTIVITY			
Due to insurance operations		3,655,197	62,496
Net cash from financing activity		3,655,197	62,496
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(20,346,951)	491,450
Cash and cash equivalents at the beginning of the year		33,870,831	33,379,381
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	13,523,880	33,870,831
Non-cash transactions:			
Transfer of (surplus) deficit from insurance operations		(6,598,260)	17,722,721
Net change in fair values of available for sale investments	12(ii)(b)	(1,775,882)	1,090,909

The accompanying notes 1 to 26 form part of these financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorization from SAMA to commence insurance operations as product approval and related formalities were completed.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "available for sale investments".

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards ("IFRS").

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

Functional and presentational currency

The functional and presentation currency of the Company is Saudi Riyals.

Transfer of deficit / surplus

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The insurance operations resulted in a surplus for the year ended 31 December 2013 (deficit for the year ended 31 December 2012). Accordingly, 90% of the net surplus amounting to SR 6.6 million (31 December 2012: entire deficit of SR 17.7 million) has been transferred to the shareholders' operations.

3A CHANGES IN ACCOUNTING POLICIES AND NEW STANDARDS AND AMENDMENTS ISSUED

The Company applied, for the first time, certain standards and amendments during the year ended 31 December 2013. These include IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. This has resulted in changes to presentation and additional disclosures in the accompanying financial statements.

3A CHANGES IN ACCOUNTING POLICIES AND NEW STANDARDS AND AMENDMENTS ISSUED (continued)

Changes in accounting policies (new and amended standards and interpretations)

Several other amendments were applied for the first time in 2013. However, they did not impact the financial statements of the Company. The nature and the impact of each new standards and amendments with a significant impact on the Company's financial statements is described below:

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 12.

IAS 1 Presentation of Items of Other Comprehensive Income ("OCI") – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to statement of income at a future point in time (e.g., net loss or gain on available for sale 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 2013 in the case of the Company), presented as a result of retrospective restatement, or reclassification of items in financial statements if any, does not have to be accompanied by comparative information in the related notes. As the Company has not restated any prior year figures there has been no impact on the Company's financial statements.

3B STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The 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.

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.

3B STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 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. It is not expected that this amendment would be relevant to the Company, since none of the entities in the Company would qualify to be an investment entity under IFRS 10.

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.

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. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future 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. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. 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 an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Premiums earned and commission income

Premiums are taken into income and recorded in the statement of insurance comprehensive operations, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums 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 premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

The Company commenced using the pre-defined calculation for Engineering class of business during 2013. As only the calculation for deferring the premiums has been amended, this has been treated as a change in accounting estimate. This change in calculation is expected to have minimal impact on the net earned premiums 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Premiums and reinsurance balances receivable

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance comprehensive operations. Premiums receivable are derecognised when the derecognition 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 year is included in the statement of insurance operations.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of insurance 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 at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. 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.

Fair value measurement

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 13. 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

External valuers are involved for valuation of significant assets, such as available for sale financial assets if any, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by investment 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. The investment committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case. At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The investment committee, in conjunction with the Company's external valuers, also compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee and the Company's external valuers present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities net of related deferred policy acquisition costs using current estimates of future cash flows under insurance 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 insurance comprehensive operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests, captioned as premium deficiency reserves.

Unearned commission income

Commission income on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance comprehensive operations.

Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest is included under statutory deposit and accrued expenses and other liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of insurance comprehensive operations.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any 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. Expenditure for repairs and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded in the statement of insurance comprehensive operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of insurance comprehensive operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

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.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised 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.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

Special commission income

Special commission income is recognised on an effective yield basis.

Statutory reserve

In accordance with its by-laws, the Company allocates 20% of its net income of each year to the statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2013.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of insurance or shareholders comprehensive operations.

Offsetting

Financial assets and financial 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 liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised 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.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of operations;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting (continued)

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care cover to policyholders.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- General Accident and liability which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.
- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.

Shareholders' Funds is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating 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 operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Investments

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

Available for sale investments ("AFS")

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'change in fair values of available for sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of shareholders' comprehensive income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of shareholders' comprehensive income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of insurance or shareholders' comprehensive operations.

Held to maturity investments ("HTM")

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of insurance operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

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 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.

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 based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period. The primary technique adopted by 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 claims incurred but not reported, 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.

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 sale of new policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. 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.

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.

6 CASH AND CASH EQUIVALENTS

	31 December 2013		31 December 2012	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	113,655,218	13,523,880	42,279,100	5,770,831
Short term deposits	7,875,210	-	41,562,489	28,100,000
Cash and cash equivalents	121,530,428	13,523,880	83,841,589	33,870,831

Short term deposits placed with local banks have an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 1.87% per annum (2012: 1.30%). The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

Cash at bank and short term deposits are placed with counterparties who have investment grade credit ratings which is equivalent to A+ to A- under Standard and Poor's rating methodology.

7 PREPAYMENTS AND OTHER ASSETS

	31 December 2013		31 December 2012	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Accrued income	2,849,423	261,032	241,823	336,300
Prepaid third party administrator fees	2,471,658	-	1,075,804	
Prepaid excess of loss premiums	1,918,167	-	1,698,192	-
Insurance syndicate receivable	1,178,668	-	913,477	-
Prepaid rent	721,658	-	574,039	-
Prepaid IT expenses	437,556	-	121,315	-
Others	694,125	-	307,891	500,000
	10,271,255	261,032	4,932,541	836,300

8 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

(a) Premiums and reinsurance balances receivable are comprised of the following:

	31 December 2013 SR	31 December 2012 SR
Premiums receivable	34,217,620	39,041,173
Less: Allowance for doubtful debts	(7,909,106)	(7,747,446)
	26,308,514	31,293,727
Reinsurance balances receivable	2,261,456	1,381,541
Less: Allowance for doubtful debts	(819,707)	(931,775)
	1,441,749	449,766
Total premiums and reinsurance balances receivable, net	27,750,263	31,743,493

8 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET (continued)

(b) As at 31 December 2013 and 2012, the ageing of unimpaired balances is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	91 to 180 days	181 to 365 days	More than 365 days
2013	SR	SR	SR	SR	SR
Policyholders	26,308,514	11,087,173	5,947,948	9,109,566	163,827
Reinsurers	1,441,749	1,129,863	36,551	2,180	273,155
2012					
Policyholders	31,293,727	17,684,728	7,513,357	5,701,411	394,231
Reinsurers	449,766	18,265	96,997	24,832	309,672

The Company classifies policyholders' and reinsurers' balances as 'past due and impaired' on a case by case basis. An impairment adjustment, if any, is recorded in the statement of insurance comprehensive operations. It is not the practice of the Company to obtain collateral over premiums and reinsurance balances receivables and these are, therefore, unsecured.

The Company does not have an internal credit ratings assessment process. The amounts which are neither past due nor impaired in respect of policyholders balances are from individuals and corporates, which have not been subjected to a rating process by the Company.

Balances due from reinsurers are with counterparties who have investment grade credit ratings which is equivalent to AA+ to BBB under Standard and Poor's rating methodology.

(c) The movement in provision for doubtful policyholders' and reinsurance balances for the years ended 31 December 2013 and 2012 are set out below:

2013	Policyholders SR	Reinsurers' SR	Total SR
Beginning balance	7,747,446	931,775	8,679,221
Charge (reversal) for the year (statement of insurance operations)	161,660	(112,068)	49,592
Closing balance	7,909,106	819,707	8,728,813

2012	Policyholders SR	Reinsurers' SR	Total SR
Beginning balance	10,606,789	350,365	10,957,154
Charge for the year (statement of insurance operations)	(2,859,343)	581,410	(2,277,933)
Closing balance	7,747,446	931,775	8,679,221

9 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED PREMIUMS AND UNEARNED REINSURANCE COMMISSION

(a) DEFERRED POLICY ACQUISITION COSTS

	2013 SR	2012 SR
Beginning balance	8,172,281	7,616,181
Paid during the year	25,213,738	21,236,863
Amortised during the year (statement of insurance operations)	(22,854,674)	(20,680,763)
Closing balance	10,531,345	8,172,281

(b) UNEARNED PREMIUMS

	31 December 2013			31 December 2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Beginning balance	91,952,351	(21,636,698)	70,315,653	45,328,158	(12,804,232)	32,523,926
Premiums written during the year (see note below)	279,283,805	(80,546,275)	198,737,530	233,540,257	(56,856,814)	176,683,443
Premiums earned during the year	(246,405,892)	74,145,661	(172,260,231)	(186,916,064)	48,024,348	(138,891,716)
Closing balance	124,830,264	(28,037,312)	96,792,952	91,952,351	(21,636,698)	70,315,653

Note: Reinsurers' share of premiums written during the year include excess of loss premiums of SR 5,046,810 for the year ended 31 December 2013 (2012 : SR 8,827,530).

(c) UNEARNED REINSURANCE COMMISSION

	2013 SR	2012 SR
Beginning balance	3,621,073	3,410,350
Commission received during the year	14,329,947	11,652,693
Commission earned during the year	(14,145,154)	(11,441,970)
Closing balance	3,805,866	3,621,073

10 CLAIMS

(a) OUTSTANDING CLAIMS

	31 December 2013			31 December 2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at 31 December	(55,201,641)	26,421,202	(28,780,439)	(40,477,369)	20,968,695	(19,508,674)
Incurred but not reported	(29,525,695)	12,344,802	(17,180,893)	(24,982,155)	6,821,223	(18,160,932)
Total outstanding claims	(84,727,336)	38,766,004	(45,961,332)	(65,459,524)	27,789,918	(37,669,606)
Other reserves	(4,802,146)	-	(4,802,146)	(2,652,159)	-	(2,652,159)
	(89,529,482)	38,766,004	(50,763,478)	(68,111,683)	27,789,918	(40,321,765)
Claims paid during the year	(130,216,178)	22,162,976	(108,053,202)	(106,410,851)	8,257,195	(98,153,656)
Outstanding at 1 January	(40,477,369)	20,968,695	(19,508,674)	(28,199,628)	14,630,481	(13,569,147)
Incurred but not reported	(24,982,155)	6,821,223	(18,160,932)	(5,558,566)	1,791,553	(3,767,013)
Total outstanding claims	(65,459,524)	27,789,918	(37,669,606)	33,758,194	16,422,034	17,336,160
Other reserves	(2,652,159)	-	(2,652,159)	(2,444,663)	-	(2,444,663)
	(68,111,683)	27,789,918	(40,321,765)	(36,202,857)	16,422,034	(19,780,823)
Claims incurred	(151,633,976)	33,139,062	(118,494,914)	(138,319,677)	19,625,079	(118,694,598)

Note

Gross outstanding claims in the statement of financial position include claims outstanding at the reporting date and IBNR. The other reserves which comprise mainly of premium deficiency reserves are disclosed separately in the statement of financial position.

(b) CLAIMS DEVELOPMENT TABLE

Claims triangulation analysis by accident year

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company launched its insurance operations on 1 July 2010. Accordingly, claims development table has been set out from the year ended 31 December 2010. Additionally, the Company had acquired the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of Saudi Pearl Insurance Company Limited's (E.C.) as at 1 January 2009. Accordingly, the claims development table includes claims history prior to 31 December 2010 that has been summarised under 31 December 2010 and earlier.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

10 CLAIMS (continued)

(b) CLAIMS DEVELOPMENT TABLE (continued)

GROSS	2013				
Accident year	31 December 2010 and earlier	31 December 2011	31 December 2012	31 December 2013	Total
	SR	SR	SR	SR	SR
Estimate of cumulative claims:					
At end of accident year	43,342,909	48,666,959	139,961,586	156,996,004	-
One year later	44,622,211	52,104,474	138,929,703	-	-
Two years later	42,356,049	49,315,376	-	-	-
Three years later	42,426,913	-	-	-	-
Current estimate of cumulative claims incurred	42,426,913	49,315,376	138,929,703	156,996,004	387,667,996
Cumulative payments to date	(41,219,165)	(44,570,466)	(122,366,168)	(94,784,861)	(302,940,660)
Total cumulative gross outstanding claims recognised in statement of financial position	1,207,748	4,744,910	16,563,535	62,211,143	84,727,336

NET (after considering effect of reinsurance)	2013				
Accident year	31 December 2010 and earlier	31 December 2011	31 December 2012	31 December 2013	Total
	SR	SR	SR	SR	SR
Estimate of cumulative claims:					
At the reporting date	9,416,080	27,780,509	118,882,521	122,125,959	-
One year later	10,021,759	29,144,085	116,898,249	-	-
Two years later	8,997,730	28,144,906	-	-	-
Three years later	9,093,286	-	-	-	-
Current estimate of cumulative claims incurred	9,093,286	28,144,906	116,898,249	122,125,959	276,262,400
Cumulative payments to date	(8,484,514)	(27,197,451)	(110,841,796)	(83,777,307)	(230,301,068)
Total cumulative gross outstanding claims recognised in statement of financial position	608,772	947,455	6,056,453	38,348,652	45,961,332

11 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of property and equipment for the calculation of depreciation are as follows:

Leasehold improvements	10 years
Furniture, fixtures and office equipment	7-10 years
Computer equipment and software	4 years
Motor vehicles	4 years

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Computer equipment and software SR	Motor vehicles SR	Total 2013 SR	Total 2012 SR
Cost:						
Beginning balance	2,062,789	1,429,446	6,566,247	317,806	10,376,288	9,322,788
Additions during the year	61,540	239,734	602,065	-	903,339	1,065,000
Disposals during the year	(48,700)	(5,298)	(17,658)	(3,417)	(75,073)	(11,500)
	2,075,629	1,663,882	7,150,654	314,389	11,204,554	10,376,288
Accumulated depreciation:						
Beginning balance	883,196	478,834	4,494,884	58,983	5,915,897	4,094,600
Charge for the year (note 20)	297,421	168,082	1,518,901	78,598	2,063,002	1,827,744
Disposals during the year	(48,700)	(5,296)	(17,657)	(1,709)	(73,362)	(6,447)
	1,131,917	641,620	5,996,128	135,872	7,905,537	5,915,897
Net book value:						
At 31 December 2013	943,712	1,022,262	1,154,526	178,517	3,299,017	
At 31 December 2012	1,179,593	950,612	2,071,363	258,823		4,460,391

12 INVESTMENTS

(i) Insurance operations (Available for sale)

(a) Available for sale ("AFS") investments amounting to SR 8,050,824 as at 31 December 2012, which comprised of a portfolio of quoted debt securities (Sharia'a compliant instruments) issued by sovereign, quasi sovereign, and corporates based in the Gulf Cooperative Council (the "GCC") countries, managed at the discretion of a locally regulated financial institution, were fully sold during the three month period ended 31 December 2013. As at the year end, there were no investments carried under the AFS category in insurance operations.

(b) The movement during the year in AFS was as follows:

	31 December 2013	31 December 2012
	SR	SR
At the beginning of the year	8,050,824	-
Purchased during the year	2,398,868	8,041,572
Sold during the year	(10,440,440)	-
	9,252	8,041,572
Change in fair values	(9,252)	9,252
At the end of the year	-	8,050,824

12 INVESTMENTS (continued)

(i) Insurance operations (Held to maturity)

(c) During the current year, the Company invested SR 8,000,000 in a secured unquoted Sukuk issued by an unquoted company registered in the Kingdom of Saudi Arabia and maturing on 7 April 2015. The rate of return on the Sukuk is calculated based on 3-month Saudi Inter-Bank Offered Rate ("SIBOR") plus a margin of 170 basis points per annum and paid quarterly. This investment has been classified under Held to Maturity ("HTM"). Management is of the opinion that the fair value of the HTM investment as at 31 December 2013 was not materially different from its carrying value.

(ii) Shareholders operations

(a) Available for sale investments of shareholders operations comprise the following:

	Nature of investments	31 December 2013	31 December 2012
		SR	SR
GCC bonds and sukuks	Quoted	26,185,907	32,617,300
Units in trading fund	NAV**	21,194,005	-
Units in real estate funds	NAV**	4,782,400	-
Local equity investment	Quoted	2,295,647	-
Unquoted local equity investment	Unquoted	1,923,078	1,923,078
		56,381,037	34,540,378

** NAV: Net Asset Value as announced by asset manager.

(b) The movement during the year in available for sale investments are as follows:

	31 December 2013	31 December 2012
	SR	SR
At the beginning of the year	34,540,378	34,170,224
Purchased during the year	48,877,553	19,025,330
Sold during the year	(26,874,265)	(20,586,908)
	56,543,666	32,608,646
Change in fair values	(162,629)	1,931,732
At the end of the year	56,381,037	34,540,378

The cumulative change in fair values of available for sale investments for the year ended 31 December 2013 amounting to SR (789,870) (31 December 2012: SR 986,012) is presented within shareholders' equity in the statement of financial position.

(iii) The analysis of total investments (insurance and shareholders' operations) by counterparties is as follows:

	2013 SR	2012 SR
Government and quasi government	6,236,921	6,901,206
Banks and financial institutions	35,208,158	19,209,865
Corporates	22,935,958	16,480,131
Total	64,381,037	42,591,202

12 INVESTMENTS (continued)

(iv) The credit quality of total investments (insurance and shareholders' operations) is as follows:

	2013 SR	2012 SR
AA- To AA	-	4,398,532
A- To A+	7,616,238	12,521,772
BBB- To BBB+	7,885,455	13,358,856
Unrated	48,879,344	12,312,042
Total	64,381,037	42,591,202

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

13 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The following table shows an analysis of financial instruments recorded at fair value (excludes HTM) by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2013	SR	SR	SR	SR
Bonds and sukuks	20,685,907	5,500,000	-	26,185,907
Trading and real estate funds	-	25,976,405	-	25,976,405
Equities	2,295,647	-	1,923,078	4,218,725
	22,981,554	31,476,405	1,923,078	56,381,037
2012				
Bonds and sukuks	35,168,124	5,500,000	-	40,668,124
Equities	-	-	1,923,078	1,923,078
	35,168,124	5,500,000	1,923,078	42,591,202

Transfers between levels

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 years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

There was no recurring fair value measurements categorised within Level 3 of the fair value hierarchy as set out in the table above.

14 REINSURANCE AND INSURANCE BALANCES PAYABLE

	2013 SR	2012 SR
Reinsurance balance payable	11,045,581	17,192,984
Brokers and salesmen payable	5,331,463	5,293,631
Payable to policyholders	2,498,192	-
Inspection and supervision fees payable	1,219,761	414,570
Surveyor's expenses payable	1,098,270	762,768
Other insurance payables	775,714	645,460
	21,968,981	24,309,413

15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) The following are the details of major related party transactions during the year:

		Amounts of transactions	
Related party	Nature of transactions	31 December 2013 SR	31 December 2012 SR
Shareholders	Gross written premiums	23,031,875	20,914,982
	Reinsurance premium ceded	(2,197,928)	(3,449,404)
	Gross claims incurred	(5,020,368)	(19,074,230)
	General and administrative expenses	(28,037)	-
Board of Directors and committees' members	Remuneration, fees and other expenses	1,653,000	(1,698,864)
	Gross written premiums	14,233,123	10,315,307
	Insurance brokerage contracts	(3,216,367)	(2,765,695)

Balances in respect of the above transactions with related parties are included in the relevant account heads in the statements of financial position and comprehensive income.

b) Compensation of key management personnel

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

	2013 SR	2012 SR
Short-term benefits	2,816,323	2,716,680
End of service benefits	120,204	127,306
	2,936,527	2,843,986

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Provision for withholding taxes	1,625,118	-	948,554	-
Employees' related accruals and payables	2,722,142	-	1,729,323	-
Third party claims payables	2,220,406	-	2,863,552	-
Accrued minimum deposit premiums	1,381,322	-	-	-
Professional fees accruals and payables	368,150	-	470,325	-
Board of directors and committee's remuneration fees and expenses	-	1,871,759	-	1,718,279
Others	228,569	280,781	1,363,220	110,708
	8,545,707	2,152,540	7,374,974	1,828,987

17 EMPLOYEES' END OF SERVICE BENEFITS

	2013 SR	2012 SR
Beginning balance	1,480,899	793,421
Charged during the year	750,837	734,060
Paid during the year	(170,705)	(46,582)
At the end of the year	2,061,031	1,480,899

18 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 130 million divided into 13 million shares of SR 10 each.

19 ZAKAT

Zakat charge for the year is comprised of the following:

	2013 SR	2012 SR
Current year charge	1,761,388	1,217,266
Prior year adjustments	644,426	-
	2,405,814	1,217,266

Movement in provision during the year is set out below:

	2013 SR	2012 SR
At the beginning of the year	7,069,613	5,852,347
Provided during the year	2,405,814	1,217,266
Payments during the year	(2,111,164)	-
At the end of the year	7,364,263	7,069,613

19 ZAKAT (continued)

The provision for the year is based on the following:

	2013 SR	2012 SR
Shareholders' equity	66,233,488	85,233,795
Book value of long term assets and statutory deposit	(18,222,095)	(19,494,177)
Provisions	13,467,195	-
	61,478,588	65,739,618
Adjusted income (loss) for the year	8,976,920	(17,048,981)
Zakat base	70,455,508	48,690,637

Status of assessments

On review of the zakat return by the Department of Zakat and Income tax ("DZIT") for the long period ended 31 December 2010, a demand of SR 2,256,659 raised by the DZIT. The Company paid this demand and filed an appeal with DZIT.

On review of the zakat return by the DZIT for the year ended 31 December 2011, a demand of SR 2,378,604 has been raised by the DZIT. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

On review of the zakat return by the DZIT for the year ended 31 December 2012, an additional demand of SR 544,407 has been raised by the DZIT. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Employees' salaries and costs	25,243,413	-	21,304,080	-
Office rent	3,252,338	-	2,187,893	-
Withholding taxes	3,105,787	-	1,881,430	
Depreciation (note 11)	2,063,002	-	1,827,744	-
Legal and professional fees	1,173,025	-	1,427,189	-
Utilities and telecommunications	1,012,971	-	891,041	-
Information technology expenses	711,728	-	775,702	-
Stationery and office supplies	549,852	-	736,455	-
Board of Directors and committees remuneration fees and expenses	-	1,653,000	-	1,782,864
Listing fees	-	220,000	-	220,000
Others	697,571	317,890	804,844	414,178
	37,809,687	2,190,890	31,836,378	2,417,042

21 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted loss per share (after zakat) for the year has been calculated by dividing the net income (loss) for the year by the ordinary issued and outstanding shares at the year end of 13 million shares.

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 organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organisational 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 centralised 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.

Audit committee

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The internal audit department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the audit committee.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire, general accident, engineering, motor, medical and marine risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company issues short term insurance policies in connection with property, general accident and liability, motor and marine risks. These are regarded as short-term insurance contracts as mainly claims are advised and settled within one year of the insured event taking place and therefore it is unlikely to have significant reserve movements (see note on Engineering). This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive polices for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim to SR 500,000 (2012: SR 500,000).

Property

For property insurance contracts the main risks are fire and business interruption. The Company only underwrites 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).

22 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

General accident and liability

For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe, Public Liability, Workmen's Compensation, and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. The Company has reinsurance cover for such damage to limit losses for any individual claim to SR 500,000 (2012: SR 500,000).

Marine

For marine insurance 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 class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2012: SR 500,000).

Engineering

For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning. Engineering policies extend beyond annual periods in respect of tenure. The Company mitigates such risks by recognition of lower earned premiums during the first year of long-term policies and reinsures significant risks by undertaking treaty, facultative as well as excess of loss reinsurance arrangements.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2012: SR 500,000).

Sensitivity analysis

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the net claims ratio would impact income by approximately SR 11,849,491 (2012: SR 11,869,460) annually in aggregate.

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance 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 reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts. To minimize its exposure to significant losses from reinsurer 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 reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure for outstanding claims in this connection is:

	2013	2012
	SR	SR
Europe	15,213,161	13,193,608
Middle East including Kingdom of Saudi Arabia	11,208,041	7,775,087
Reinsurers' share of outstanding claims (note 10(a))	26,421,202	20,968,695

22 RISK MANAGEMENT (continued)

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2013. The Company had a single floating rate HTM investment as at 31 December 2013 (2012 SR nil) and the impact on the net income for this investment is not expected to be significant.

d) 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' exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to policyholders by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.
- As a pre-requisite, the Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.

The table below shows the maximum exposure to credit risk for the significant components of the statement of financial position.

	2013		2012	
	Insurance' operations	Shareholders' operations	Insurance' operations	Shareholders' operations
Assets				
Cash at banks and time deposits	121,421,807	13,523,880	83,756,816	33,870,831
Reinsurers' share of outstanding claims	38,766,004	-	27,789,918	-
Premiums and reinsurance balances receivable, net	27,750,263	-	31,743,493	-
Investments	8,000,000	56,381,037	8,050,824	34,540,378
Other assets	4,380,818	261,032	1,155,300	836,300
Statutory deposit	-	13,157,101	-	13,110,708
	200,318,892	83,323,050	152,496,351	82,358,217

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the expected maturity profile of the financial assets and financial liabilities of the Company as of the reporting date. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

22 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,157,101	13,157,101
Prepayments and other assets	9,092,587	1,178,668	10,271,255	261,032	-	261,032
Reinsurers' share of outstanding claims	38,766,004	-	38,766,004	-	-	-
Premiums and reinsurance balances receivable, net	27,750,263	-	27,750,263	-	-	-
Due from shareholders' operations	3,288,847	-	3,288,847	-	-	-
Available for sale investments	-	-	-	54,457,959	1,923,078	56,381,037
Cash and cash equivalents	121,530,428	-	121,530,428	13,523,880	-	13,523,880
TOTAL ASSETS	200,428,129	1,178,668	201,606,797	68,242,871	15,080,179	83,323,050

Held to maturity investment amounting to SR 8,000,000 (2012 : SR nil) is expected to mature on 7 April 2015.

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	84,727,336	-	84,727,336	-	-	-
Due to a related party	-	-	-	36,244	-	36,244
Employees' end of service benefits	-	2,061,031	2,061,031	-	-	-
Reinsurance and insurance balances Payable	21,968,981	-	21,968,981	-	-	-
Zakat payable	-	-	-	7,364,263	-	7,364,263
Accrued expenses and other liabilities	8,545,707	-	8,545,707	2,152,540	-	2,152,540
Due to insurance operations	-	-	-	3,288,847	-	3,288,847
TOTAL LIABILITIES	115,242,024	2,061,031	117,303,055	12,841,894	-	12,841,894

22 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,110,708	13,110,708
Prepayments and other assets	4,019,064	913,477	4,932,541	336,300	500,000	836,300
Reinsurers' share of outstanding claims	27,789,918	-	27,789,918	-	-	-
Premiums and reinsurance balances receivable, net	31,743,493	-	31,743,493	-	-	-
Due from insurance operations	-	6,231,910	6,231,910	-	-	-
Available for sale investments	8,050,824	-	8,050,824	32,617,300	1,923,078	34,540,378
Cash and cash equivalents	83,841,589	-	83,841,589	33,870,831	-	33,870,831
TOTAL ASSETS	155,444,888	7,145,387	162,590,275	66,824,431	15,533,786	82,358,217

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	65,459,524	-	65,459,524	-	-	-
Due to a related party	-	-	-	8,207	-	8,207
Employees' end of service benefits	-	1,480,899	1,480,899	-	-	-
Reinsurance and insurance balances Payable	24,309,413	-	24,309,413	-	-	-
Zakat payable	-	-	-	7,069,613	-	7,069,613
Accrued expenses and other liabilities	7,374,974	-	7,374,974	1,828,987	-	1,828,987
Due to shareholders' operations	-	-	-	-	6,231,910	6,231,910
TOTAL LIABILITIES	97,143,911	1,480,899	98,624,810	8,906,807	6,231,910	15,138,717

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all contractually payable on the basis as set out above.

f) 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 Saudi Riyals or currencies pegged to the Saudi Riyal.

22 RISK MANAGEMENT (continued)

g) 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 investments in quoted 'sukuks', fixed rate bonds and domestic quoted equities (see note 12 (ii)(a)), which have been classified under 'available for sale' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the 'other comprehensive income' and consequently 'shareholders' equity (for investments held under shareholders' operations) by SR 1.15 million (2012: SR 1.63 million) and insurance operations' surplus (for investments held under insurance operations) by SR Nil (2012: SR 0.40 million).

h) Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with SAMA's capital requirements in the Kingdom of Saudi Arabia while maximising the return to stakeholders through the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

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 minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

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.

Financial assets of the Company include cash and cash equivalents, statutory deposit, investments, premiums and reinsurance balances receivables, and reinsurers' share of outstanding claims; its financial liabilities consist of gross outstanding claims, reinsurance and insurance balances payable, accrued expenses and other liabilities. Accounting policies for financial assets and liabilities are set out in note 4.

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 fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

23 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, allowance for doubtful debts, special commission income on term deposits and AFS investments, gain or loss on property, plant and equipment and investments.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, premiums and reinsurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

23 SEGMENT INFORMATION (continued)

Operating segments For the year ended 31 December 2013	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	19,796,422	137,559,211	17,661,108	92,591,087	11,675,977	279,283,805
Reinsurance premiums ceded	(18,466,670)	(1,124,278)	(12,614,644)	(33,022,934)	(10,270,939)	(75,499,465)
Excess of loss premiums	(111,390)	(3,829,147)	(925,069)	-	(181,204)	(5,046,810)
Net premiums written	1,218,362	132,605,786	4,121,395	59,568,153	1,223,834	198,737,530
Movement in unearned premiums, net	(66,582)	(6,543,618)	168,058	(20,503,356)	468,199	(26,477,299)
Net premiums earned	1,151,780	126,062,168	4,289,453	39,064,797	1,692,033	172,260,231
Reinsurance commission income	3,932,090	84,197	4,607,519	2,679,716	2,841,632	14,145,154
Policy fees	14,965	6,300,606	185,025	-	12,780	6,513,376
Total revenues	5,098,835	132,446,971	9,081,997	41,744,513	4,546,445	192,918,761
Net claims paid	(1,354,044)	(102,440,177)	(1,091,740)	(2,812,903)	(354,338)	(108,053,202)
Movement in outstanding claims, net	(579,615)	(3,794,670)	1,645,982	(4,954,615)	(608,808)	(8,291,726)
Movement in other reserves, net	-	(2,149,987)	-	-	-	(2,149,987)
Net claims incurred	(1,933,659)	(108,384,834)	554,242	(7,767,518)	(963,146)	(118,494,915)
Policy acquisition costs	(1,779,377)	(11,935,104)	(1,307,032)	(6,639,018)	(1,194,143)	(22,854,674)
Inspection and supervision fees	(55,154)	(680,190)	(81,047)	(1,388,866)	(45,837)	(2,251,094)
Third party administrator fees	-	-	-	(4,161,975)	-	(4,161,975)
Other underwriting expenses	(133,950)	(865,655)	-	(135,000)	-	(1,134,605)
Total underwriting costs	(3,902,140)	(121,865,783)	(833,837)	(20,092,377)	(2,203,126)	(148,897,263)
Net underwriting surplus	1,196,695	10,581,188	8,248,160	21,652,136	2,343,319	44,021,498
Unallocated expenses						(37,859,279)
Unallocated income						1,169,181
Surplus from insurance operations						7,331,400

23 SEGMENT INFORMATION (continued)

Operating segments For the year ended 31 December 2012	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	13,561,486	167,346,570	19,608,914	21,393,520	11,629,767	233,540,257
Reinsurance premiums ceded	(12,515,615)	(1,040,701)	(13,480,624)	(11,323,928)	(9,668,416)	(48,029,284)
Excess of loss premiums	(164,424)	(7,843,834)	(733,362)	-	(85,910)	(8,827,530)
Net premiums written	881,447	158,462,035	5,394,928	10,069,592	1,875,441	176,683,443
Movement in unearned premiums, net	(78,808)	(30,763,917)	311,599	(7,198,574)	(62,027)	(37,791,727)
Net premiums earned	802,639	127,698,118	5,706,527	2,871,018	1,813,414	138,891,716
Reinsurance commission income	2,713,919	(7,135)	6,644,759	-	2,090,427	11,441,970
Policy fees	11,920	2,391,583	221,097	-	14,065	2,638,665
Total revenues	3,528,478	130,082,566	12,572,383	2,871,018	3,917,906	152,972,351
Net claims paid	(111,965)	(96,595,369)	(977,732)	(69,593)	(398,997)	(98,153,656)
Movement in outstanding claims, net	(357,167)	(16,317,213)	(3,204,944)	(752,894)	298,772	(20,333,446)
Movement in other reserves, net	-	(207,496)	-	-	-	(207,496)
Net claims incurred	(469,132)	(113,120,078)	(4,182,676)	(822,487)	(100,225)	(118,694,598)
Policy acquisition costs	(1,283,092)	(16,467,200)	(1,678,784)	(462,797)	(788,890)	(20,680,763)
Inspection and supervision fees	(45,102)	(830,751)	(90,594)	(320,903)	(49,951)	(1,337,301)
Third party administrator fees	-	-	-	(421,743)	-	(421,743)
Other underwriting expenses	(38,350)	(619,107)	-	-	-	(657,457)
Total underwriting costs	(1,835,676)	(131,037,136)	(5,952,054)	(2,027,930)	(939,066)	(141,791,862)
Net underwriting surplus (deficit)	1,692,802	(954,570)	6,620,329	843,088	2,978,840	11,180,489
Unallocated expenses						(29,558,473)
Unallocated income						655,263
Deficit from insurance operations						(17,722,721)

23 SEGMENT INFORMATION (continued)

Operating segments As at 31 December 2013	Property	Motor	Marine	Medical	Others	Total
	SR	SR	SR	SR	SR	SR
ASSETS						
Reinsurers' share of unearned premiums	5,809,175	528,453	2,524,448	13,492,819	5,682,417	28,037,312
Reinsurers' share of outstanding claims	13,043,722	3,409,224	5,738,083	8,464,853	8,110,122	38,766,004
Deferred policy acquisition costs	564,176	5,034,139	200,747	4,035,325	696,958	10,531,345
SEGMENT ASSETS	19,417,073	8,971,816	8,463,278	25,992,997	14,489,497	77,334,661
Unallocated assets						174,139,810
TOTAL ASSETS						251,474,471
LIABILITIES						
Gross unearned premiums	6,210,209	67,531,706	3,541,530	41,194,749	6,352,070	124,830,264
Gross outstanding claims	14,606,052	37,509,757	8,848,068	14,172,362	9,591,097	84,727,336
Unearned reinsurance commission	1,312,149	39,634	919,126	-	1,534,957	3,805,866
Other reserves	100,000	4,702,146	-	-	-	4,802,146
SEGMENT LIABILITIES	22,228,410	109,783,243	13,308,724	55,367,111	17,478,124	218,165,612
Unallocated liabilities						33,308,859
TOTAL LIABILITIES						251,474,471

Operating segments As at 31 December 2012	Property	Motor	Marine	Medical	Others	Total
	SR	SR	SR	SR	SR	SR
ASSETS						
Reinsurers' share of unearned premiums	4,265,932	523,650	2,424,444	8,120,441	6,302,231	21,636,698
Reinsurers' share of outstanding claims	9,903,179	3,256,534	7,699,615	1,770,492	5,160,098	27,789,918
Deferred policy acquisition costs	473,208	5,549,561	223,290	1,193,456	732,766	8,172,281
SEGMENT ASSETS	14,642,319	9,329,745	10,347,349	11,084,389	12,195,095	57,598,897
Unallocated assets						139,260,748
TOTAL ASSETS						196,859,645
LIABILITIES						
Gross unearned premiums	4,600,384	60,983,285	3,609,584	15,319,015	7,440,083	91,952,351
Gross outstanding claims	10,885,894	33,562,397	12,455,582	2,523,385	6,032,266	65,459,524
Unearned reinsurance commission	1,056,962	39,510	904,390	-	1,620,211	3,621,073
Other reserves	100,000	2,552,159	-	-	-	2,652,159
SEGMENT LIABILITIES	16,643,240	97,137,351	16,969,556	17,842,400	15,092,560	163,685,107
Unallocated liabilities						33,174,538
TOTAL LIABILITIES						196,859,645

24 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the 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 such proceedings (including litigations) will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

b) Operating lease commitments

The minimum future lease payments for the use of the Company's premises total SR 3,130,630 payable during 2014 (2013: SR 2,559,770).

25 COMPARATIVE FIGURES

Captions and amounts under 'reinsurance and insurance balances payable' (note 14) and 'accrued expenses and other liabilities' (note 16) have been amended and reclassified to conform to the presentation in the current year. The aggregate amounts of notes 14 and 16 remain unchanged.

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 18 Rabi Thani 1435H, corresponding to 18 February 2014.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

Financial Statements

AND INDEPENDENT AUDITORS' REPORT

For THE YEAR ENDED 31 December 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2012, the related statements of insurance and shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulation for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366

Al Bassam Certified Public Accountants & Consultants
P O Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

7 Rabi Thani 1434H
(17 February 2013)

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	2012 SR	2011 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	83,841,589	35,673,588
Premiums and reinsurance balances receivable, net	8	31,743,493	37,771,509
Available for sale investments	12(i)(a)	8,050,824	-
Reinsurers' share of outstanding claims	10(a)	27,789,918	16,422,034
Prepayments and other assets	7	4,932,541	1,316,622
Deferred policy acquisition costs	9(a)	8,172,281	7,616,181
Reinsurers' share of unearned premiums	9(b)	21,636,698	12,804,232
Property and equipment, net	11	4,460,391	5,228,188
Due from shareholders' operations		6,231,910	-
TOTAL INSURANCE OPERATIONS' ASSETS		196,859,645	116,832,354
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	33,870,831	33,379,381
Available for sale investments	12(ii)(c)	34,540,378	34,170,224
Due from insurance operations		-	11,553,307
Prepayments and other assets	7	836,300	822,348
Statutory deposit		13,110,708	13,000,000
TOTAL SHAREHOLDERS' ASSETS		82,358,217	92,925,260
TOTAL ASSETS		279,217,862	209,757,614

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2012

	Note	2012 SR	2011 SR
INSURANCE OPERATIONS' LIABILITIES & SURPLUS			
Gross outstanding claims	10 (a)	65,459,524	33,758,195
Reinsurance and insurance balances payable	13	24,309,413	15,536,104
Accrued expenses and other liabilities	15	7,374,974	4,008,156
Employees' end of service benefits	16	1,480,899	793,421
Due to shareholders operations		-	11,553,307
Unearned reinsurance commission	9 (c)	3,621,073	3,410,350
Gross unearned premiums	9 (b)	91,952,351	45,328,158
Other reserves		2,652,159	2,444,663
TOTAL INSURANCE OPERATIONS' LIABILITIES		196,850,393	116,832,354
INSURANCE OPERATIONS' SURPLUS			
Change in fair values of available for sale investments	12(i)(a)	9,252	-
TOTAL INSURANCE OPERATIONS' LIABILITIES & SURPLUS		196,859,645	116,832,354
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Zakat payable	18	7,069,613	5,852,347
Accrued expenses and other liabilities	15	1,828,987	1,869,311
Due to a related party	14	8,207	74,704
Due to insurance operations		6,231,910	-
Total shareholders' liabilities		15,138,717	7,796,362
Shareholders' equity			
Share capital	17	130,000,000	130,000,000
Accumulated losses		(63,766,512)	(44,766,205)
Change in fair values of available for sale investments	12(ii)(c)	986,012	(104,897)
Total shareholders' equity		67,219,500	85,128,898
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		82,358,217	92,925,260
TOTAL LIABILITIES AND EQUITY		279,217,862	209,757,614

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS

For the year ended 31 December 2012

	Note	2012 SR	2011 SR
Gross written premiums	9 (b)	233,540,257	103,803,397
Reinsurance premiums ceded	9 (b)	(48,029,284)	(36,161,841)
Excess of loss premiums	9 (b)	(8,827,530)	(2,350,880)
NET PREMIUMS WRITTEN		176,683,443	65,290,676
Movement in unearned premiums, net	9 (b)	(37,791,727)	(24,258,308)
NET PREMIUMS EARNED	9 (b)	138,891,716	41,032,368
Reinsurance commission income	9 (c)	11,441,970	9,831,907
Policy fees		2,638,665	2,520,715
TOTAL REVENUES		152,972,351	53,384,990
Gross claims paid	10 (a)	(106,410,851)	(52,428,436)
Reinsurers' share of claims paid	10 (a)	8,257,195	28,484,336
NET CLAIMS PAID		(98,153,656)	(23,944,100)
Movement in outstanding claims, net	10 (a)	(20,333,446)	(686,894)
Movement in other reserves, net	10 (a)	(207,496)	(2,444,663)
NET CLAIMS INCURRED		(118,694,598)	(27,075,657)
Policy acquisition costs	9 (a)	(20,680,763)	(8,844,444)
Inspection and supervision fees		(1,337,301)	(477,891)
Other underwriting expenses		(1,079,200)	-
TOTAL UNDERWRITING COSTS		(141,791,862)	(36,397,992)
NET UNDERWRITING SURPLUS		11,180,489	16,986,998
General and administrative expenses	19	(31,836,378)	(27,881,105)
Reversal of (allowance for) doubtful debts	8	2,277,933	(2,596,135)
Special commission income from time deposits	6	585,650	65,145
Special commission income from available for sale investments		69,613	-
(Loss) gain on disposal of property and equipment		(28)	34,755
DEFICIT FROM INSURANCE OPERATIONS		(17,722,721)	(13,390,342)
Deficit transferred to shareholders' operations		17,722,721	13,390,342
NET RESULT FOR THE YEAR		-	-
OTHER COMPREHENSIVE INCOME:			
Change in fair values of available for sale investments	12(i)(a)	9,252	-
Total comprehensive income for the year		9,252	-

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
For the year ended 31 December 2012

	Note	2012 SR	2011 SR
Deficit transferred from insurance operations		(17,722,721)	(13,390,342)
EXPENSES			
General and administrative	19	(2,417,042)	(2,065,479)
LOSS FROM OPERATIONS		(20,139,763)	(15,455,821)
Special commission income from time deposits	6	321,687	578,962
Special commission income from available for sale investments		1,194,212	825,274
Realised gain from available for sale investments		840,823	26,975
LOSS BEFORE ZAKAT		(17,783,041)	(14,024,610)
Provision for zakat	18	(1,217,266)	(1,749,897)
NET LOSS FOR THE YEAR		(19,000,307)	(15,774,507)
OTHER COMPREHENSIVE INCOME (LOSS):			
Change in fair values of available for sale investments	12(ii)(c)	1,090,909	(104,897)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(17,909,398)	(15,879,404)
BASIC AND DILUTED LOSS PER SHARE (BEFORE ZAKAT) FOR THE YEAR	20 (a)	(1.37)	(1.08)
BASIC AND DILUTED LOSS PER SHARE (AFTER ZAKAT) FOR THE YEAR	20 (b)	(1.46)	(1.21)

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

	Share capital	Accumulated losses	Change in fair values of available for sale investments	Total
	SR	SR	SR	SR
2011				
Balance as at 1 January 2011	130,000,000	(28,991,698)		101,008,302
Net loss for the year		(15,774,507)		(15,774,507)
Other comprehensive loss for the year			(104,897)	(104,897)
Total comprehensive loss for the year		(15,774,507)	(104,897)	(15,879,404)
Balance as at 31 December 2011	130,000,000	(44,766,205)	(104,897)	85,128,898
2012				
Balance as at 1 January 2012	130,000,000	(44,766,205)	(104,897)	85,128,898
Net loss for the year	-	(19,000,307)	-	(19,000,307)
Other comprehensive income for the year	-	-	1,090,909	1,090,909
Total comprehensive (loss) income for the year	-	(19,000,307)	1,090,909	(17,909,398)
Balance as at 31 December 2012	130,000,000	(63,766,512)	986,012	67,219,500

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2012

	Note	2012 SR	2011 SR
OPERATING ACTIVITIES			
Deficit from insurance operations		(17,722,721)	(13,390,342)
Adjustments for:			
Depreciation	11	1,827,744	1,637,885
Provision for employees' end of service benefits	16	734,060	567,337
(Reversal of) / allowance for doubtful debts	8	(2,277,933)	2,596,135
Special commission income from time deposits		(585,650)	(65,145)
Special commission income from available for sale investments		(69,613)	-
Loss (gain) on disposal of property and equipment		28	(34,755)
Net deficit before changes in operating assets and liabilities		(18,094,085)	(8,688,885)
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivable		8,305,949	(14,028,540)
Prepayments and other assets		(3,615,919)	422,988
Reinsurers' share of outstanding claims		(11,367,884)	15,719,179
Deferred policy acquisition costs		(556,100)	(6,337,025)
Reinsurers' share of unearned premiums		(8,832,466)	(5,804,129)
Gross outstanding claims		31,701,329	(15,032,284)
Reinsurance and insurance balances payable		8,773,309	(6,163,143)
Accrued expenses and other liabilities		3,366,818	2,582,856
Unearned commission income		210,723	1,571,336
Gross unearned premiums		46,624,193	30,062,437
Other reserves		207,496	2,444,663
Cash from (used in) operations		56,723,363	(3,250,547)
Employees' end of service benefits paid	16	(46,582)	(444,424)
Net cash from (used in) operating activities		56,676,781	(3,694,971)
INVESTING ACTIVITIES			
Purchase of property and equipment	11	(1,065,000)	(1,009,717)
Purchase of available for sale investments		(8,041,572)	-
Special commission income from time deposits		585,650	65,145
Special commission income from available for sale investments		69,613	-
Proceeds from disposal of property and equipment		5,025	34,755
Net cash used in investing activities		(8,446,284)	(909,817)
FINANCING ACTIVITY			
Due (from) to shareholders' operations		(62,496)	19,832,794
Net cash (used in) from financing activity		(62,496)	19,832,794
INCREASE IN CASH AND CASH EQUIVALENTS		48,168,001	15,228,006
Cash and cash equivalents at the beginning of the year		35,673,588	20,445,582
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	83,841,589	35,673,588
Non-cash transactions:			
Transfer of deficit to shareholders' comprehensive operations		(17,722,721)	(13,390,342)
Net change in fair values of available for sale investments	12(i)(a)	9,252	-

The accompanying notes 1 to 25 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2012

	Note	2012 SR	2011 SR
OPERATING ACTIVITIES			
Loss before zakat		(17,783,041)	(14,024,610)
Adjustments for:			
Deficit transferred from insurance' operations		17,722,721	13,390,342
Special commission income from time deposits		(321,687)	(578,962)
Special commission income from available for sale investments		(1,194,212)	(825,274)
Realised gain from available for sale investments		(840,823)	(26,975)
Net deficit before changes in operating assets and liabilities		(2,417,042)	(2,065,479)
Changes in operating assets and liabilities:			
Prepayments and other assets		(13,952)	(788,369)
Statutory deposit		(110,708)	-
Accrued expenses and other liabilities		(40,324)	1,549,511
Due to a related party		(66,497)	19,731
Cash used in operations		(2,648,523)	(1,284,606)
Zakat paid		-	(145,525)
Net cash used in operating activities		(2,648,523)	(1,430,131)
INVESTING ACTIVITIES			
Special commission income from time deposits		321,687	578,962
Special commission income from available for sale investments		1,194,212	825,274
Realised gain from available for sale investments		840,823	26,975
Purchase of available for sale investments	12(ii)(c)	(19,025,330)	(38,001,783)
Sale of available for sale investments	12(ii)(c)	19,746,085	3,726,662
Net cash from (used in) investing activities		3,077,477	(32,843,910)
FINANCING ACTIVITIES			
Due to (from) insurance operations		62,496	(19,832,794)
Net cash from (used in) financing activities		62,496	(19,832,794)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		491,450	(54,106,835)
Cash and cash equivalents at the beginning of the year		33,379,381	87,486,216
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	33,870,831	33,379,381
Non-cash transactions:			
Transfer of deficit from insurance operations		17,722,721	13,390,342
Net change in fair values of available for sale investments	12(ii)(c)	1,090,909	(104,897)

The accompanying notes 1 to 25 form part of these financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorization from SAMA to commence insurance operations as product approval and related formalities were completed.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "available for sale investments".

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards ("IFRS").

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

Functional and presentational currency

The functional and presentation currency of the Company is Saudi Riyals.

Transfer of deficit / surplus

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

However, the insurance operations incurred a deficit for the year ended 31 December 2012. Accordingly, the net deficit amounting to SR 17.7 million (31 December 2011: SR 13.4 million) has been transferred to the shareholders' operations.

3 NEW STANDARDS ISSUED

The 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.

IFRS 1 Government Loans — Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

The amendment has no impact on the Company.

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

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

These amendments will not impact the Company's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments

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

The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 – Fair Value measurement

The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements.

Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company.

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

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

3 NEW STANDARDS ISSUED (continued)

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". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Company as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc.

As the impact of the adoption depends on the Company's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. These improvements are effective for annual periods beginning on or after 1 January 2013.

4 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.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

Other amendments resulting from Improvements to IFRSs to the following standard did not have any impact on the accounting policies, financial position or performance of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. 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 an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Premiums earned and commission income

Premiums are taken into income and recorded in the statement of insurance comprehensive operations, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums 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 and
- Actual number of days for other lines of business

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Premiums and reinsurance balances receivable

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance comprehensive operations. Premiums receivable are derecognised when the derecognition 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 year is included in the statement of insurance operations.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of insurance 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 at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities net of related deferred policy acquisition costs using current estimates of future cash flows under insurance 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 insurance comprehensive operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests, captioned as premium deficiency reserves.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of insurance comprehensive operations.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any 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. Expenditure for repairs and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded in the statement of insurance comprehensive operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of insurance comprehensive operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned commission income

Commission income on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance comprehensive operations.

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.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Provisions

Provisions are recognised 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.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

Special commission income

Special commission income is recognised on an effective yield basis.

Statutory reserve

In accordance with its by-laws, the Company allocates 20% of its net income of each year to the statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2012.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of insurance or shareholders comprehensive operations.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care cover to policyholders
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- General Accident and liability which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.
- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.

Shareholders' Funds is a non-operating segment. Income earned from time deposits is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating 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 operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Offsetting

Financial assets and financial 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 liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised 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 values

The fair value of financial assets that are actively traded in organised 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 assets where there is no active market, 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 similar assets.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of operations;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Investments

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

Available for sale investments ("AFS")

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'change in fair values of available for sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of shareholders' comprehensive income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of shareholders' comprehensive income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of insurance or shareholders' comprehensive 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 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.

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 based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period. The primary technique adopted by 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 claims incurred but not reported, 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.

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 sale of new policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. 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.

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.

6 CASH AND CASH EQUIVALENTS

	31 December 2012		31 December 2011	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash on hand and at banks	42,279,100	5,770,831	20,233,581	6,843,488
Short term time deposits	41,562,489	28,100,000	15,440,007	26,535,893
	83,841,589	33,870,831	35,673,588	33,379,381

Short term time deposits placed with local banks have an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.78% (2011: 0.53% per annum).

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

Cash at bank and short term time deposits are placed with counterparties who have investment grade credit ratings which is equivalent to AA- to A- under Standard and Poor's rating methodology.

7 PREPAYMENTS AND OTHER ASSETS

	31 December 2012		31 December 2011	
	Insurance operations SR	Shareholders' operations SR	Insurance' operations SR	Shareholders' operations SR
Prepaid excess of loss premiums	1,698,192	-	-	-
Deferred third party administrator fees	1,075,804	-	-	-
Insurance syndicate receivables	913,477	-	383,535	-
Prepaid rent	574,039	-	217,661	-
Accrued income	241,823	336,300	2,238	322,348
Others	429,206	500,000	713,188	500,000
	4,932,541	836,300	1,316,622	822,348

8 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

	31 December 2012 SR	31 December 2011 SR
Premiums receivable from policyholders	39,041,173	43,398,106
Less: Allowances for doubtful debts	(7,747,446)	(10,606,789)
	31,293,727	32,791,317
Reinsurance balances receivable	1,381,541	5,330,557
Less: Allowances for doubtful debts	(931,775)	(350,365)
	449,766	4,980,192
Total premiums and reinsurance balances receivables, net	31,743,493	37,771,509

8 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET (continued)

As at 31 December 2012 and 2011, the ageing of unimpaired balances is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	91 to 180 Days	181 to 365 Days	More than 365 days
2012	SR	SR	SR	SR	SR
Policyholders	31,293,727	17,684,728	7,513,357	5,701,411	394,231
Reinsurers	449,766	18,265	96,997	24,832	309,672
2011					
Policyholders	32,791,317	14,363,492	11,620,282	5,023,660	1,783,883
Reinsurers	4,980,192	1,632,410	194,490	2,980,362	172,930

The Company classifies policyholders' and reinsurers' balances as 'past due and impaired' on a case by case basis. An impairment adjustment, if any, is recorded in the statement of insurance comprehensive operations. It is not the practice of the Company to obtain collateral over premiums and reinsurance balances receivables and these are, therefore, unsecured.

The Company does not have an internal credit ratings assessment process. The amounts which are neither past due nor impaired in respect of policyholders balances are from individuals and corporates, which have not been subjected to a rating process by the Company.

Balances due from reinsurers are with counterparties who have investment grade credit ratings which is equivalent to AA+ to BBB under Standard and Poor's rating methodology.

The movement in provision for doubtful policyholders' and reinsurance balances for the year ended 31 December 2012 is set out below:

	Policyholders SR	Reinsurers' SR	Total SR
Beginning balance	10,606,789	350,365	10,957,154
(Reversal) charge for the year (statement of insurance operations)	(2,859,343)	581,410	(2,277,933)
Closing balance	7,747,446	931,775	8,679,221

The movement in provision for doubtful policyholders' and reinsurance balances for the year ended 31 December 2011 is set out below:

	Policyholders SR	Reinsurers' SR	Total SR
Beginning balance	8,293,166	67,853	8,361,019
Charge for the year (statement of insurance operations)	2,313,623	282,512	2,596,135
Closing balance	10,606,789	350,365	10,957,154

9 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED PREMIUMS AND UNEARNED COMMISSION INCOME

(a) Deferred policy acquisition costs

	2012 SR	2011 SR
Beginning balance	7,616,181	1,279,156
Paid during the year	21,236,863	15,181,469
Amortised during the year (statement of insurance operation)	(20,680,763)	(8,844,444)
Closing balance	8,172,281	7,616,181

(b) Unearned premiums

	31 December 2012			31 December 2011		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Beginning balance	45,328,158	(12,804,232)	32,523,926	15,265,721	(7,000,103)	8,265,618
Premiums written during the year	233,540,257	(56,856,814)	176,683,443	103,803,397	(38,512,721)	65,290,676
Premiums earned during the year	(186,916,064)	48,024,348	(138,891,716)	(73,740,960)	32,708,592	(41,032,368)
Closing balance	91,952,351	(21,636,698)	70,315,653	45,328,158	(12,804,232)	32,523,926

(c) Unearned reinsurance commission

	2012 SR	2011 SR
Beginning balance	3,410,350	1,839,014
Commission received during the year	11,652,693	11,403,243
Commission earned during the year	(11,441,970)	(9,831,907)
Closing balance	3,621,073	3,410,350

10 CLAIMS

(a) Outstanding claims

	31 December 2012			31 December 2011		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at 31 December	(40,477,369)	20,968,695	(19,508,674)	(28,199,628)	14,630,481	(13,569,147)
Incurred but not reported	(24,982,155)	6,821,223	(18,160,932)	(5,558,567)	1,791,553	(3,767,014)
Other reserves	(2,652,159)	-	(2,652,159)	(2,444,663)	-	(2,444,663)
	(68,111,683)	27,789,918	(40,321,765)	(36,202,858)	16,422,034	(19,780,824)
Claims paid during the year	(106,410,851)	8,257,195	(98,153,656)	(52,428,436)	28,484,336	(23,944,100)
Outstanding at 1 January	(28,199,628)	14,630,481	(13,569,147)	(41,271,092)	27,209,815	(14,061,277)
Incurred but not reported	(5,558,566)	1,791,553	(3,767,013)	(7,519,388)	4,931,398	(2,587,990)
Other reserves	(2,444,663)	-	(2,444,663)	-	-	-
	(36,202,857)	16,422,034	(19,780,823)	(48,790,480)	32,141,213	(16,649,267)
Claims incurred	(138,319,677)	19,625,079	(118,694,598)	(39,840,814)	12,765,157	(27,075,657)

Note

Gross outstanding claims in the statement of financial position include claims outstanding at the reporting date and IBNR. The other reserves which comprise mainly of premium deficiency reserves are disclosed separately in the statement of financial position.

Claims development

The Company commenced its operations on 1 July 2010. Accordingly, management believes that the disclosure of a claims development table would not be meaningful at this stage.

11 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of property and equipment for the calculation of depreciation are as follows:

Leasehold improvements	10 years
Furniture, fixtures and office equipment	7-10 years
Computer equipment and software	4 years
Motor vehicles	4 years

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Computer equipment and software SR	Motor vehicles SR	Total 2012 SR	Total 2011 SR
Cost:						
Beginning balance	2,001,185	1,334,324	5,884,022	103,257	9,322,788	8,787,897
Additions during the year	69,604	97,923	682,924	214,549	1,065,000	1,128,249
Disposals during the year	(8,000)	(2,801)	(699)	-	(11,500)	(593,358)
	2,062,789	1,429,446	6,566,247	317,806	10,376,288	9,322,788
Accumulated depreciation:						
Beginning balance	595,797	329,693	3,143,297	25,813	4,094,600	2,931,541
Charge for the year (note 19)	293,199	149,281	1,352,094	33,170	1,827,744	1,637,885
Disposals during the year	(5,800)	(140)	(507)	-	(6,447)	(474,826)
	883,196	478,834	4,494,884	58,983	5,915,897	4,094,600
Net book value:						
At 31 December 2012	1,179,593	950,612	2,071,363	258,823	4,460,391	
At 31 December 2011	1,405,388	1,004,631	2,740,725	77,444		5,228,188

The depreciation charge for the year has been included in the general and administrative expenses.

12 AVAILABLE FOR SALE INVESTMENTS

(i) Insurance operations

(a) During the current year, the Company invested in a portfolio of debt securities (Sharia'a compliant instruments) issued by sovereign, quasi sovereign, and corporates based in the Gulf Cooperative Council countries. This portfolio is managed at the discretion of a locally regulated unrated financial institution.

The net change in fair value of this portfolio amounting to SR 9,252 (31 December 2011: nil) is presented within 'insurance operations surplus' in the statement of financial position and reported in the statement of insurance comprehensive operations' under other comprehensive income.

There were no disposals of investments during the current year.

12 AVAILABLE FOR SALE INVESTMENTS (continued)

(ii) Shareholders operations

(a) Available for sale investments for shareholders operations comprise of various bonds and sukuks issued by governments, quasi governments, banks and corporates in the GCC countries amounting to SR 32,617,300 (31 December 2011: SR 32,247,146). The custody of these investments is with a locally regulated unrated financial institution.

(b) Available for sale investments of shareholders' operations also comprise of an investment amounting to SR 1,923,078 (31 December 2011: SR 1,923,078) in an unquoted Company, registered in the Kingdom of Saudi Arabia. As there is no quoted price available, this investment has been valued at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

(c) The movement during the year in available for sale investments are as follows:

	31 December 2012	31 December 2011
	SR	SR
At the beginning of the year	34,170,224	-
Purchased during the year	19,025,330	38,001,783
Sold during the year	(19,746,085)	(3,726,662)
	33,449,469	34,275,121
Change in fair values	1,090,909	(104,897)
At the end of the year	34,540,378	34,170,224

The cumulative change in fair values of available for sale investments for the year ended 31 December 2012 amounting to SR 986,012 (31 December 2011: (SR 104,897)) is presented within shareholders' equity in the statement of financial position.

(iii) Total investments (insurance and shareholders' operations) are classified as follows:

	Quoted SR	Unquoted SR	Total SR
2011			
Fixed rate bonds	15,145,950	-	15,145,950
Sukuks	16,114,495	986,701	17,101,196
Equities	-	1,923,078	1,923,078
Total	31,260,445	2,909,779	34,170,224
2012			
Fixed rate bonds	15,019,088	-	15,019,088
Sukuks	25,649,036	-	25,649,036
Equities	-	1,923,078	1,923,078
Total	40,668,124	1,923,078	42,591,202

Note

Investments in discretionary portfolio of insurance operations have been presented under note (iii), (iv), (v) and (vi) based on the underlying financial instruments within the portfolio.

12 AVAILABLE FOR SALE INVESTMENTS (continued)

(iv) The analysis of investments by counterparties is as follows:

	2012 SR	2011 SR
Government and quasi government	6,901,206	6,820,945
Banks and financial institutions	19,209,865	15,895,105
Corporates	16,480,131	11,454,174
Total	42,591,202	34,170,224

(v) The credit quality of investment portfolio is as follows:

	2012 SR	2011 SR
AA- To AA	4,398,532	6,820,945
A- To A+	12,521,772	17,032,300
BBB- To BBB+	13,358,856	1,907,200
Unrated	12,312,042	8,409,779
Total	42,591,202	34,170,224

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

(vi) Determination of fair value and fair values hierarchy

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

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repacking).

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2011	SR	SR	SR	SR
Fixed rate bonds	15,145,950	-	-	15,145,950
Sukuks	16,114,495	-	986,701	17,101,196
Equities	-	-	1,923,078	1,923,078
	31,260,445	-	2,909,779	34,170,224
2012				
Fixed rate bonds	15,019,088	-	-	15,019,088
Sukuks	25,649,036	-	-	25,649,036
Equities	-	-	1,923,078	1,923,078
	40,668,124	-	1,923,078	42,591,202

13 REINSURANCE AND INSURANCE BALANCES PAYABLE

	2012 SR	2011 SR
Reinsurance balance payable	17,192,984	6,431,633
Brokers and salesmen payable	5,293,631	6,652,084
Policyholders	-	2,092,935
Other insurance payables	1,822,798	359,452
	24,309,413	15,536,104

14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following are the details of major related party transactions during the year and the related balances at the end of the year :

		Amounts of transactions		Balance as at	
Related party	Nature of transactions	2012 SR	2011 SR	2012 SR	2011 SR
Shareholders	Gross written premiums	20,914,982	17,459,347		
	Reinsurance premium ceded	3,449,404	2,546,151		
	Reinsurance commission	775,303	562,790		
	Claims incurred	19,074,230	6,899,984		
	General and administrative expenses	-	292,939	(8,207)	(74,704)
Board of Directors	Board of directors remuneration fees and meeting expenses	1,698,864	1,571,073		
	Gross written premiums	10,315,307	138,137		
	Insurance brokerage contracts	2,765,695	1,364,640		

b) Compensation of key management personnel

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

	2012 SR	2011 SR
Short-term benefits	2,716,680	2,908,749
End of service benefits	127,306	114,896
	2,843,986	3,023,645

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Provision for withholding taxes	948,554	-	1,179,232	-
Employees' related accruals and payable	1,729,323	-	1,097,850	
Professional fees accruals and payable	470,325	-	862,357	-
Board of directors and committee's remuneration fees and expenses	-	1,718,279	-	1,763,760
Third party claims payable	2,863,552	-	269,486	
Supervision fees payable	414,570	-	160,486	-
Others	948,650	110,708	438,745	105,551
	7,374,974	1,828,987	4,008,156	1,869,311

16 EMPLOYEES' END OF SERVICE BENEFITS

	2012 SR	2011 SR
Beginning balance	793,421	670,508
Charged during the year	734,060	567,337
Paid during the year	(46,582)	(444,424)
At the end of the year	1,480,899	793,421

17 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 130 million divided into 13 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 7.8 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's share capital and the remaining 5.2 million shares with a nominal value of SR 10 each have been subscribed by the public.

18 ZAKAT

	2012 SR	2011 SR
Charge for the year	1,217,266	1,749,897

Movements in provision during the year is set out below:

	2012 SR	2011 SR
At the beginning of the year	5,852,347	4,247,975
Provided during the year	1,217,266	1,749,897
Payments during the year	-	(145,525)
At the end of the year	7,069,613	5,852,347

18 ZAKAT (continued)

The provision for the year is based on the following:

	2012 SR	2011 SR
Shareholders' equity	85,233,795	101,008,302
Book value of long term assets and statutory deposit	(19,494,177)	(20,151,266)
	65,739,618	80,857,036
Adjusted loss for the year	(17,048,981)	(10,861,138)
Zakat base	48,690,637	69,995,898

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable loss.

Status of assessments

The Company has filed its Zakat return for the years ended 31 December 2010 and 2011 with the Department of Zakat and Income tax (DZIT).

On an initial review of the zakat return by the Department of Zakat and Income Tax (the "DZIT") for the year ended 31 December 2010 and 2011, a demand of SR 4,831,908 has been raised by the DZIT. However, the Company has filed an appeal with the DZIT. This appeal is in progress. The final assessment has not yet been carried out by the DZIT.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2012		2011	
	Insurance Operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Employees' salaries and costs	21,304,080	-	18,391,357	-
Office rent	2,187,893	-	2,152,446	-
Depreciation (note 11)	1,827,744	-	1,637,885	-
Legal and professional fees	1,427,189	-	1,743,007	-
Utilities and telecommunications	891,041	-	812,372	-
Stationery and office supplies	736,455	-	439,834	-
Information technology expenses	775,702	-	658,104	-
Board of Directors and committees remuneration fees and expenses	-	1,782,864	-	1,571,073
Listing fees	-	220,000	-	220,000
Others	2,686,274	414,178	2,046,100	274,406
	31,836,378	2,417,042	27,881,105	2,065,479

20 BASIC AND DILUTED LOSS PER SHARE

(a) Basic and diluted loss per share (before zakat) for the year has been calculated by dividing the 'loss before zakat' for the year by the ordinary issued and outstanding shares at the year end of 13 million shares.

(b) Basic and diluted loss per share (after zakat) for the year has been calculated by dividing the net loss for the year by the ordinary issued and outstanding shares at the year end of 13 million shares.

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 organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organisational 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 centralised 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.

Audit committee

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire and accident, motor, medical and marine risks.

The Company issues short term insurance policies in connection with property, general accident and liability, motor, engineering and marine risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, general accident and liability, motor, engineering and marine risks. These are regarded as short-term insurance contracts as mainly claims are advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive polices for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim to SR 500,000 (2011: SR 500,000).

Property

For property insurance contracts the main risks are fire and business interruption. The Company only underwrites 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).

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

General accident and liability

For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe, Public Liability, Workmen's Compensation, and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. The Company has reinsurance cover for such damage to limit losses for any individual claim to SR 500,000 (2011: SR 500,000).

Marine

For marine insurance 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 class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2011: SR 500,000).

Engineering

For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2011: SR 500,000).

Sensitivity analysis

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the net claims ratio would impact income by approximately SR 11,869,460 (2011: SR 2,708,210) annually in aggregate

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance 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 reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurer 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 reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2012	2011
	SR	SR
Europe	13,193,608	11,490,671
Middle East including Kingdom of Saudi Arabia	7,775,087	3,139,810
Reinsurers' share of outstanding claims (note 10(a))	20,968,695	14,630,481

21 RISK MANAGEMENT (continued)

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2012. The Company had no significant floating rate financial assets as at 31 December 2012.

d) 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' exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to policyholders by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The table below shows the maximum exposure to credit risk for the significant components of the statement of financial position.

	2012		2011	
	Insurance' Operations	Shareholders' operations	Insurance' operations	Shareholders' operations
Assets				
Investments	8,050,824	34,540,378	-	34,170,224
Reinsurers' share of outstanding claims	27,789,918	-	16,422,034	-
Cash at banks and time deposits	83,756,816	33,870,831	35,558,619	33,379,381
Premiums and reinsurance balances receivable, net	31,743,493	-	37,771,509	-
Other assets	1,155,300	836,300	385,773	822,348
Statutory deposit	-	13,110,708	-	13,000,000
	152,496,351	82,358,217	90,137,935	81,371,953

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the expected maturity profile of the financial assets and financial liabilities of the Company as of the reporting date. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,110,708	13,110,708
Prepayments and other assets	4,932,541	-	4,932,541	336,300	500,000	836,300
Reinsurers' share of outstanding claims	27,789,918	-	27,789,918	-	-	-
Premiums and reinsurance balances Receivable, net	31,743,493	-	31,743,493	-	-	-
Due from shareholders' operations	-	6,231,910	6,231,910	-	-	-
Available for sale investments	8,050,824	-	8,050,824	32,617,300	1,923,078	34,540,378
Cash and cash equivalents	83,841,589	-	83,841,589	33,870,831	-	33,870,831
TOTAL ASSETS	156,358,365	6,231,910	162,590,275	66,824,431	15,533,786	82,358,217

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	65,459,524	-	65,459,524	-	-	-
Due to a related party	-	-	-	8,207	-	8,207
Employees' end of service benefits	-	1,480,899	1,480,899	-	-	-
Reinsurance and insurance balances Payable	24,309,413	-	24,309,413	-	-	-
Zakat payable	-	-	-	7,069,613	-	7,069,613
Accrued expenses and other liabilities	7,374,974	-	7,374,974	1,828,987	-	1,828,987
Due to insurance operations	-	-	-	-	6,231,910	6,231,910
TOTAL LIABILITIES	97,143,911	1,480,899	98,624,810	8,906,807	6,231,910	15,138,717

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,000,000	13,000,000
Prepayments and other assets	1,316,622		1,316,622	322,348	500,000	822,348
Reinsurers' share of outstanding claims	16,422,034	-	16,422,034	-	-	-
Premiums and reinsurance balances receivable, net	37,771,509	-	37,771,509	-	-	-
Due from insurance operations	-	-	-	-	11,553,307	11,553,307
Available for sale investments	-	-	-	32,247,146	1,923,078	34,170,224
Cash and cash equivalents	35,673,588	-	35,673,588	33,379,381	-	33,379,381
TOTAL ASSETS	91,183,753	-	91,183,753	65,948,875	26,976,385	92,925,260

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	33,758,195	-	33,758,195	-	-	-
Due to a related parties	-	-	-	74,704	-	74,704
Employees' end of service benefits	-	793,421	793,421	-	-	-
Reinsurance and insurance balances payable	15,536,104	-	15,536,104	-	-	-
Zakat payable	-	-	-	5,852,347	-	5,852,347
Accrued expenses and other liabilities	4,008,156	-	4,008,156	1,869,311	-	1,869,311
Due to shareholders' operations	-	11,553,307	11,553,307	-	-	-
TOTAL LIABILITIES	53,302,455	12,346,728	65,649,183	7,796,362	-	7,796,362

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all contractually payable on the basis as set out above.

f) 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 Saudi Riyals or currencies pegged to the Saudi Riyal.

21 RISK MANAGEMENT (continued)

g) 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 investments in quoted 'sukuks' and 'fixed rate bonds' (see note 12 (iii)), which have been classified under 'available for sale' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the 'other comprehensive income' and consequently 'shareholders' equity (for investments held under shareholders' operations) by SR 1.63 million (2011: SR 1.56 million) and insurance operations' surplus (for investments held under insurance operations) by SR 0.40 million (2011: SR nil).

h) Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with SAMA's capital requirements in the Kingdom of Saudi Arabia while maximising the return to stakeholders through the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

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 minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

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.

Financial assets of the Company include cash and cash equivalents, statutory deposit, investments, premiums and reinsurance balances receivables, and reinsurers' share of outstanding claims; its financial liabilities consist of gross outstanding claims, reinsurance and insurance balances payable, accrued expenses and other liabilities. Accounting policies for financial assets and liabilities are set out in note 4.

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 fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

22 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, allowance for doubtful debts, special commission income on term deposits and AFS investments, gain or loss on property, plant and equipment and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, premiums and reinsurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

22 SEGMENT INFORMATION (continued)

Operating segments For the year ended 31 December 2012	Property SR	Motor SR	Marine SR	Medical SR	Others SR	Total SR
Gross written premiums	13,561,486	167,346,570	19,608,914	21,393,520	11,629,767	233,540,257
Reinsurance premiums ceded	(12,515,615)	(1,040,701)	(13,480,624)	(11,323,928)	(9,668,416)	(48,029,284)
Excess of loss premiums	(164,424)	(7,843,834)	(733,362)	-	(85,910)	(8,827,530)
Net premiums written	881,447	158,462,035	5,394,928	10,069,592	1,875,441	176,683,443
Movement in unearned premiums, net	(78,808)	(30,763,917)	311,599	(7,198,574)	(62,027)	(37,791,727)
Net premiums earned	802,639	127,698,118	5,706,527	2,871,018	1,813,414	138,891,716
Reinsurance commission income	2,713,919	(7,135)	6,644,759	-	2,090,427	11,441,970
Policy fees	11,920	2,391,583	221,097	-	14,065	2,638,665
Total revenues	3,528,478	130,082,566	12,572,383	2,871,018	3,917,906	152,972,351
Net claims paid	(111,965)	(96,595,369)	(977,732)	(69,593)	(398,997)	(98,153,656)
Movement in outstanding claims, net	(357,167)	(16,317,213)	(3,204,944)	(752,894)	298,772	(20,333,446)
Movement in other reserves, net	-	(207,496)	-	-	-	(207,496)
Net claims incurred	(469,132)	(113,120,078)	(4,182,676)	(822,487)	(100,225)	(118,694,598)
Policy acquisition costs	(1,283,092)	(16,467,200)	(1,678,784)	(462,797)	(788,890)	(20,680,763)
Inspection and supervision fees	(45,102)	(830,751)	(90,594)	(320,903)	(49,951)	(1,337,301)
Other underwriting expenses	(38,350)	(619,107)	-	(421,743)	-	(1,079,200)
Total underwriting costs	(1,835,676)	(131,037,136)	(5,952,054)	(2,027,930)	(939,066)	(141,791,862)
Net underwriting surplus (deficit)	1,692,802	(954,570)	6,620,329	843,088	2,978,840	11,180,489
Unallocated expenses						(31,836,406)
Unallocated income						2,933,196
Deficit from insurance operations						(17,722,721)

22 SEGMENT INFORMATION (continued)

Operating segments For the year ended 31 December 2011	Property SR	Motor SR	Marine SR	Others SR	Total SR
Gross written premiums	11,602,487	59,746,672	19,641,618	12,812,620	103,803,397
Reinsurance premiums ceded	(10,742,508)	(1,337,401)	(13,464,767)	(10,617,165)	(36,161,841)
Excess of loss premiums	(238,666)	(1,227,585)	(789,321)	(95,308)	(2,350,880)
Net premiums written	621,313	57,181,686	5,387,530	2,100,147	65,290,676
Movement in unearned premiums, net	(95,842)	(22,901,562)	(628,042)	(632,862)	(24,258,308)
Net premiums earned	525,471	34,280,124	4,759,488	1,467,285	41,032,368
Reinsurance commission income	2,186,588	187,461	5,385,723	2,072,135	9,831,907
Policy fees	11,872	2,270,569	224,814	13,460	2,520,715
Total revenues	2,723,931	36,738,154	10,370,025	3,552,880	53,384,990
Net claims paid	(657,887)	(22,446,260)	(535,880)	(304,073)	(23,944,100)
Movement in outstanding claims, net	298,571	(1,303,483)	335,559	(17,541)	(686,894)
Movement in other reserves, net	(100,000)	(2,344,663)	-	-	(2,444,663)
Net claims incurred	(459,316)	(26,094,406)	(200,321)	(321,614)	(27,075,657)
Policy acquisition costs	(1,022,159)	(5,636,079)	(1,469,031)	(717,175)	(8,844,444)
Inspection and supervision fees	(40,651)	(294,144)	(88,470)	(54,626)	(477,891)
Total underwriting costs	(1,522,126)	(32,024,629)	(1,757,822)	(1,093,415)	(36,397,992)
Net underwriting surplus	1,201,805	4,713,525	8,612,203	2,459,465	16,986,998
Unallocated expenses					(30,477,240)
Unallocated income					99,900
Deficit from insurance operations					(13,390,342)

The Company commenced writing medical operations during 2012. Accordingly, there are no comparative figures for medical line of business for the year ended 31 December 2011.

22 SEGMENT INFORMATION (continued)

Operating segments As at 31 December 2012	Property	Motor	Marine	Medical	Others	Total
	SR	SR	SR	SR	SR	SR
ASSETS						
Reinsurers' share of unearned premiums	4,265,932	523,650	2,424,444	8,120,441	6,302,231	21,636,698
Reinsurers' share of outstanding claims	9,903,179	3,256,534	7,699,615	1,770,492	5,160,098	27,789,918
Deferred policy acquisition costs	473,208	5,549,561	223,290	1,193,456	732,766	8,172,281
SEGMENT ASSETS	14,642,319	9,329,745	10,347,349	11,084,389	12,195,095	57,598,897
Unallocated assets						139,260,748
TOTAL ASSETS						196,859,645
LIABILITIES						
Gross unearned premiums	4,600,384	60,983,285	3,609,584	15,319,015	7,440,083	91,952,351
Gross outstanding claims	10,885,894	33,562,397	12,455,582	2,523,385	6,032,266	65,459,524
Unearned reinsurance commission	1,056,962	39,510	904,390	-	1,620,211	3,621,073
Other reserves	100,000	2,552,159	-	-	-	2,652,159
SEGMENT LIABILITIES	16,643,240	97,137,351	16,969,556	17,842,400	15,092,560	163,685,107
Unallocated liabilities						33,174,538
TOTAL LIABILITIES						196,859,645

Operating segments As at 31 December 2011	Property	Motor	Marine	Others	Total
	SR	SR	SR	SR	SR
ASSETS					
Reinsurers' share of unearned premiums	3,673,867	617,816	3,488,822	5,023,727	12,804,232
Reinsurers' share of outstanding claims	2,759,849	2,322,877	3,376,316	7,962,992	16,422,034
Deferred policy acquisition costs	364,176	6,416,437	363,494	472,074	7,616,181
SEGMENT ASSETS	6,797,892	9,357,130	7,228,632	13,458,793	36,842,447
Unallocated assets					79,989,907
TOTAL ASSETS					116,832,354
LIABILITIES					
Gross unearned premiums	3,929,511	30,313,534	4,985,561	6,099,552	45,328,158
Gross outstanding claims	3,385,397	16,311,527	4,927,339	9,133,932	33,758,195
Unearned reinsurance commission	855,101	83,473	1,239,534	1,232,242	3,410,350
Other reserves	100,000	2,344,663	-	-	2,444,663
SEGMENT LIABILITIES	8,270,009	49,053,197	11,152,434	16,465,726	84,941,366
Unallocated liabilities					31,890,988
TOTAL LIABILITIES					116,832,354

23 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the 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 such proceedings (including litigations) will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

b) Operating lease commitments

The minimum future lease payments for the use of the Company's premises total SR 2,559,770 payable during 2013 (2012: SR 2,079,770).

c) Contingent liabilities

The Company have provided guarantees of SR 0.35 million (2011: nil) in respect of medical insurance in the normal course of its activities.

24 COMPARATIVE FIGURES

Captions and amounts under 'prepayments and other assets' (note 7) and 'accrued expenses and other liabilities' (note 15) have been amended and reclassified to conform to the presentation in the current year. The aggregate amounts of the notes 7 and 15 remain unchanged.

25 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 7 Rabi Thani 1434H, corresponding to 17 February 2013.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

Financial Statements

AND INDEPENDENT AUDITORS' REPORT

For THE YEAR ENDED 31 December 2011

Ernst & Young

Al Bassam

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2011, the related statements of insurance operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulation for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF MATTERS:

We draw attention to the following matters:

- Note 2 (a) to these financial statements in relation to the asset purchase agreement and transfer of portfolio. On 3 January 2012, the Company received a formal approval from SAMA on the portfolio transfer of the Saudi Arabian Operations of Saudi Pearl Insurance Company Limited (E.C.) (the "Operations"). As a result, the comparative information in these financial statements has been reissued to include the Operations' portfolio that was acquired effective from 1 January 2009.

ERNST & YOUNG

Al Bassam

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) - Continued

EMPHASIS OF MATTERS - Continued:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366

Al Bassam Certified Public Accountants & Consultants
P O Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

24 Jumada Awal 1433H
(16 April 2012)

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	2011 SR	2010 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	8	35,673,588	20,445,582
Premiums and reinsurance balances receivable, net	10	37,771,509	26,339,104
Reinsurers' share of outstanding claims	11 (c)	16,422,034	32,141,213
Prepayments and other assets	9	1,316,622	1,739,610
Deferred policy acquisition costs	11 (a)	7,616,181	1,279,156
Reinsurers' share of unearned premiums	11 (b)	12,804,232	7,000,103
Property and equipment, net	12	5,228,188	5,856,356
TOTAL INSURANCE OPERATIONS' ASSETS		116,832,354	94,801,124
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	8	33,379,381	87,486,216
Available for sale investments	13	34,170,224	-
Due from insurance operations		11,553,307	5,110,855
Prepayments and other assets	9	822,348	33,979
Statutory deposit		13,000,000	13,000,000
TOTAL SHAREHOLDERS' ASSETS		92,925,260	105,631,050
TOTAL ASSETS		209,757,614	200,432,174

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2011

	Note	2011 SR	2010 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	11 (c)	33,758,195	48,790,479
Reinsurance and insurance balances payable	14	15,536,104	21,699,247
Accrued expenses and other liabilities	16	4,008,156	1,425,300
Employees' end of service benefits	17	793,421	670,508
Due to shareholders operations		11,553,307	5,110,855
Unearned reinsurance commission	11 (d)	3,410,350	1,839,014
Gross unearned premiums	11 (b)	45,328,158	15,265,721
Premium deficiency and other reserves		2,444,663	-
TOTAL INSURANCE OPERATIONS' LIABILITIES		116,832,354	94,801,124
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Zakat payable	19	5,852,347	4,247,975
Accrued expenses and other liabilities	16	1,869,311	319,800
Due to related parties	15	74,704	54,973
Total shareholders' liabilities		7,796,362	4,622,748
Shareholders' equity			
Share capital	18	130,000,000	130,000,000
Accumulated losses		(44,766,205)	(28,991,698)
Change in fair values of available for sale investments	13 (iii)	(104,897)	-
Total shareholders' equity		85,128,898	101,008,302
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		92,925,260	105,631,050
TOTAL LIABILITIES AND EQUITY		209,757,614	200,432,174

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE OPERATIONS
For the year ended 31 December 2011

	Note	2011 SR	For the period from 27 December 2009 to 31 December 2010 (note 2 a) SR
Gross written premiums	11 (b)	103,803,397	132,117,729
Reinsurance premiums ceded	11 (b)	(36,161,841)	(49,452,798)
Excess of loss premiums	11 (b)	(2,350,880)	(3,038,600)
NET INSURANCE PREMIUMS WRITTEN	11 (b)	65,290,676	79,626,331
Movement in unearned premiums, net	11 (b)	(24,258,308)	365,500
NET PREMIUMS EARNED	11 (b)	41,032,368	79,991,831
Reinsurance commission income	11 (d)	9,831,907	13,564,656
Policy fees		2,520,715	429,984
TOTAL REVENUES		53,384,990	93,986,471
Gross claims paid	11 (c)	(52,428,436)	(66,153,464)
Reinsurers' share of claims paid	11 (c)	28,484,336	23,585,478
NET CLAIMS PAID	11 (c)	(23,944,100)	(42,567,986)
Movement in outstanding claims, net	11 (c)	(686,894)	(7,967,331)
Movement in premium deficiency and other reserves		(2,444,663)	-
NET CLAIMS INCURRED	11 (c)	(27,075,657)	(50,535,317)
Policy acquisition costs	11 (a)	(8,844,444)	(14,840,254)
Inspection and supervision fees		(477,891)	(724,961)
TOTAL UNDERWRITING COSTS		(36,397,992)	(66,100,532)
NET UNDERWRITING SURPLUS		16,986,998	27,885,939
General and administrative expenses	20	(27,881,105)	(34,054,399)
Allowance for doubtful debts	10	(2,596,135)	(4,467,294)
Special commission income from time deposits	8	65,145	106,095
Gain on disposal of property and equipment		34,755	1,819
NET DEFICIT FROM INSURANCE OPERATIONS		(13,390,342)	(10,527,840)
Net deficit transferred to shareholders' operations		13,390,342	10,527,840
NET RESULT FOR THE YEAR / PERIOD		-	-

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
For the year ended 31 December 2011

	Note	2011 SR	For the period from 27 December 2009 to 31 December 2010 SR
Net deficit transferred from insurance operations		(13,390,342)	(10,527,840)
EXPENSES			
General and administrative	20	(2,065,479)	(798,099)
Initial public offering and pre-incorporation costs, net	21	-	(13,722,068)
LOSS FROM OPERATIONS		(15,455,821)	(25,048,007)
Special commission income on time deposits	8	578,962	304,284
Special commission income from available for sale investments		825,274	-
Realized gain from available for sale investments	13	26,975	-
LOSS BEFORE ZAKAT		(14,024,610)	(24,743,723)
Zakat	19	(1,749,897)	(4,247,975)
NET LOSS FOR THE YEAR		(15,774,507)	(28,991,698)
OTHER COMPREHENSIVE LOSS:			
Change in fair values of available for sale investments		(104,897)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		(15,879,404)	(28,991,698)
BASIC AND DILUTED LOSS PER SHARE FOR THE YEAR / PERIOD	22	(1.21)	(2.23)

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITYREISSUED

For the year ended 31 December 2011

	Share capital	Accumulated losses	Change in fair values of available for sale investments	Total
	SR	SR	SR	SR
Issue of share capital	130,000,000			130,000,000
Total comprehensive loss for the period		(28,991,698)		(28,991,698)
Balance as at 31 December 2010	130,000,000	(28,991,698)		101,008,302
Balance as at 1 January 2011	130,000,000	(28,991,698)		101,008,302
Net loss for the year	-	(15,774,507)	-	(15,774,507)
Other comprehensive loss for the year	-	-	(104,897)	(104,897)
Total comprehensive loss for the period	-	(15,774,507)	(104,897)	(15,879,404)
Balance as at 31 December 2011	130,000,000	(44,766,205)	(104,897)	85,128,898

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2011

	Note	2011 SR	For the period from 27 December 2009 to 31 December 2010 (note 2 a) SR
OPERATING ACTIVITIES			
Net deficit from insurance operations		(13,390,342)	(10,527,840)
Adjustments for:			
Depreciation	12	1,637,885	1,633,510
Employees' end of service benefits	17	567,337	1,051,776
Allowances for doubtful debts	10	2,596,135	4,467,294
Special commission income from time deposits		(65,145)	(106,095)
Gain on disposal of property and equipment		(34,755)	(1,819)
Net deficit before changes in operating assets and liabilities		(8,688,885)	(3,483,174)
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivable		(14,028,540)	(8,368,558)
Reinsurers' share of outstanding claims		15,719,179	(12,116,422)
Prepayments and other assets		422,988	(1,370,924)
Deferred policy acquisition costs		(6,337,025)	(185,937)
Reinsurers' share of unearned premiums		(5,804,129)	(906,676)
Gross outstanding claims		(15,032,284)	20,083,753
Reinsurance and insurance balances payable		(6,163,143)	12,156,521
Accrued expenses and other liabilities		2,582,856	(1,038,575)
Unearned commission income		1,571,336	280,565
Gross unearned premiums		30,062,437	541,176
Premium deficiency and other reserves		2,444,663	
Cash (used in) from operating activities		(3,250,547)	5,591,749
Employees' end of service benefits paid	17	(444,424)	(2,008,731)
Net cash (used in) from operating activities		(3,694,971)	3,583,018
INVESTING ACTIVITIES			
Net cash inflows on portfolio transfer	2 (b)	-	8,165,160
Purchase of property and equipment	12	(1,009,717)	(7,059,533)
Special commission income from time deposits		65,145	106,095
Proceeds from disposal of property and equipment		34,755	12,147
Net cash (used in) from investing activities		(909,817)	1,223,869
FINANCING ACTIVITY			
Due to shareholders' operations		19,832,794	15,638,695
Net cash from financing activity		19,832,794	15,638,695
INCREASE IN CASH AND CASH EQUIVALENTS		15,228,006	20,445,582
Cash and cash equivalents at the beginning of the year / period		20,445,582	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR / PERIOD	8	35,673,588	20,445,582
Non-cash transactions:			
Transfer of deficit to shareholders' comprehensive operations		(13,390,342)	(10,527,840)

The accompanying notes 1 to 26 form part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS

For the year ended 31 December 2011	Note	2011 SR	For the period from 27 December 2009 to 31 December 2010 SR
OPERATING ACTIVITIES			
Loss before zakat		(14,024,610)	(24,743,723)
Adjustments for:			
Deficit transferred from insurance' operations		13,390,342	10,527,840
Special commission income from time deposits		(578,962)	(304,284)
Special commission income from available for sale investments		(825,274)	-
Realized gain from available for sale investments		(26,975)	-
Net deficit before changes in operating assets and liabilities		(2,065,479)	(14,520,167)
Changes in operating assets and liabilities:			
Prepayments and other assets		(788,369)	(33,979)
Statutory deposit		-	(13,000,000)
Accrued expenses and other liabilities		1,549,511	319,800
Due to related parties		19,731	54,973
Cash used in operations		(1,284,606)	(27,179,373)
Zakat paid		(145,526)	-
Net cash used in operating activities		(1,430,130)	(27,179,373)
INVESTING ACTIVITIES			
Special commission income received		578,962	304,284
Special commission income from available for sale investments		825,274	-
Purchase of available for sale investments	13 (iii)	(38,001,783)	-
Sale of available for sale investments		3,753,636	-
Net cash (used in) from investing activities		(32,843,911)	304,284
FINANCING ACTIVITIES			
Due from insurance operations		(19,832,794)	(15,638,695)
Issue of share capital		-	130,000,000
Net cash (used in) from financing activities		(19,832,794)	114,361,305
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(54,106,835)	87,486,216
Cash and cash equivalents at the beginning of the year / period		87,486,216	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	8	33,379,381	87,486,216
Non-cash transactions:			
Transfer of deficit from insurance operations	13 (iii)	13,390,342	10,527,840
Net change in fair values of available for sale investments		(104,897)	

The accompanying notes 1 to 26 form part of these financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008).

Following the completion of the public offering on 9 October 2009, an application was submitted to H.E. the Minister of Commerce and Industry (the "MOCI") in the Kingdom of Saudi Arabia, requesting the announcement of the incorporation of the Company. On 10 Muharram 1431H (corresponding to 27 December 2009), the MOCI issued a resolution declaring the incorporation of the Company.

As per the Company's By-laws, the Company's first fiscal year will commence on the issuance date of the Ministerial Resolution declaring the incorporation of the Company, which was dated 10 Muharram 1431 H corresponding to 27 December 2009, and will end on 31 December the following year, being 31 December 2010 (the "period").

On 15 Jumada Thani 1431H corresponding to 29 May 2010, the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities were completed.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

a) Asset purchase agreement

During 2008, prior to the issuance of the Ministerial resolution, the Company entered into an asset purchase agreement (the "Agreement"), pursuant to which it has offered to purchase the insurance business and related net assets of the Saudi Arabian Operations (the "Operations") of Saudi Pearl Insurance Company Limited (E.C.) at a valuation to be approved by Saudi Arabian Monetary Agency and agreed by the concerned parties. Saudi Pearl Insurance Company Limited's (E.C.), in accordance with its intention to sell the operations, submitted a due diligence study for the year ended 31 December 2008 (which consisted of a valuation of the Operations) completed by an independent auditor to SAMA during 2008.

The Company held an ordinary general assembly meeting on 7 June 2010, and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of Saudi Pearl Insurance Company Limited's (E.C.) as at 1 January 2009, subject to the receipt of formal approval by SAMA.

On 9 Safar 1433H (corresponding to 3 January 2012), through its letter No. 380/IS 7517, SAMA approved the due diligence study as at the year ended 31 December 2008.

As a result of the above, the assets and liabilities and the results of operations of the Operations, from 1 January 2009 have been included in the comparatives in the accompanying financial statements. Consequently, the comparative figures in these financial statements cover the Operations' business that was acquired effective from 1 January 2009 and include the results of the Operations and the Company from 1 January 2009 to 31 December 2010.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO (continued)

(b) Assets and liabilities of the Operations:

The comparative figures in the accompanying financial statements include the Operations' assets and liabilities under the agreement at the date of purchase, as set out below:

	Note	SR
ASSETS		
Cash and cash equivalents		8,165,160
Premiums and reinsurance balances receivable		26,331,565
Allowances for doubtful debts (policyholders)	10	(3,879,259)
Allowances for doubtful debts (reinsurers)	10	(14,466)
Reinsurers' share of outstanding claims	11 (c)	20,024,791
Reinsurers' share of unearned premiums	11 (b)	6,093,427
Deferred policy acquisition costs	11 (a)	1,093,219
Prepayments and other assets		368,686
Property and equipment	12	1,848,679
Accumulated depreciation	12	(1,408,018)
TOTAL ASSETS		58,623,784
LIABILITIES		
Gross outstanding claims**	11 (c)	28,706,726
Accounts payable		3,054,363
Reinsurance balances payable		6,488,363
Accrued expenses and other liabilities		2,463,875
Employees' end of service benefits	17	1,627,463
Unearned reinsurance commission	11 (d)	1,558,449
Gross unearned premiums	11 (b)	14,724,545
TOTAL LIABILITIES		58,623,784
TOTAL COST OF ACQUISITION		-

** Gross outstanding claims is inclusive of IBNR, premium deficiency and other reserves amounting to SR 5,782,654 and SR 209,484 respectively.

3 BASIS OF PREPARATION

The accompanying financial statements have been prepared on the historical cost basis.

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards ("IFRS").

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

Functional and presentational currency

The functional and presentation currency of the Company is Saudi Riyals.

Transfer of deficit / surplus

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. However, the insurance operations incurred a net deficit for the year ended 31 December 2011 and the period ended 31 December 2010. Accordingly, the net deficit amounting to SR 13.4 million (2010: SR 10.5 million) has been transferred to the shareholders' operations

4 NEW STANDARDS ISSUED

The accounting policies in the preparation of these financial statements adopted are consistent with those of the statutory financial statements for the period ended 31 December 2010, a except that the Company has adopted the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations which became effective in 2011:

IAS 24 Related Party Disclosures (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationship as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the operations of the Company.

IFRS 7 Financial instruments: Disclosures (amendment)

These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendment has had no significant effect on the Company.

Improvements to IFRSs

In May 2010, the Board issued its third omnibus amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company:

IFRS 7 Financial Instruments – Disclosures

The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendments also add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

IAS 1 Presentation of Financial Statements

The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IAS 27 – Consolidated and Separate Financial Statements and
- IAS 34 – Interim Financial Statements

5 NEW AMENDMENTS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards (where applicable) when they become effective:

IAS 1 Financial Statement Presentation

The amendments becomes effective for annual periods beginning on or after 1 July 2012 and require that an entity present separately, the items of other comprehensive income that would be reclassified (or recycled) to profit or loss in the future if certain conditions are met (for example, upon derecognition or settlement), from those that would never be reclassified to profit or loss. The amendment affects presentation only, therefore, will have no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The standard is currently effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Company will quantify the effect of adoption of this Standard, in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not extend to the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this new standard.

6 SIGNIFICANT ACCOUNTING POLICIES

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. 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 an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums earned and commission income

Premiums are taken into income and recorded in the statement of insurance operations, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums 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 end
- Actual number of days for other lines of business

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Premiums and reinsurance balances receivable

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance operations. Premiums receivable are derecognised when the derecognition 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 year is included in the statement of insurance operations.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of insurance operations.

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 at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. 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.

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs using current estimates of future cash flows under insurance 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 insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of insurance operations.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets. Expenditure for repairs and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded in the statement of insurance operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

Unearned commission income

Commission income on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

Accrued expenses and other liabilities

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

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised 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.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and time deposits with an original maturity of less than three months from the date of the acquisition.

Special commission income

Special commission income is recognised on an effective yield basis.

Statutory reserve

In accordance with its by-laws, the Company allocates 20% of its net income of each year/ period to the statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the period ended 31 December 2011.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of insurance or shareholders operations.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- General Accident and liability which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.
- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.

Shareholders' Funds is a non-operating segment. Income earned from time deposits is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating 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 operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and financial 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 liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Derecognition of financial instruments

The derecognition 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.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised 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 values

The fair value of financial assets that are actively traded in organised 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 assets where there is no active market, 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 similar assets.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of operations;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operational and technical expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of comprehensive income.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognised in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 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 insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period. The primary technique adopted by 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 claims incurred but not reported, 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.

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 sale of new policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. 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.

8 CASH AND CASH EQUIVALENTS

	31 December 2011		31 December 2010	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	20,233,581	6,843,488	9,251,992	6,494,685
Time deposits	15,440,007	26,535,893	11,193,590	80,991,531
	35,673,588	33,379,381	20,445,582	87,486,216

Time deposits represent deposits with local and Gulf Cooperative Council (GCC) banks which have investment grade credit ratings, as rated by international rating agencies.

Time deposits are denominated either in Saudi Riyals or currencies pegged to the Saudi Riyal, are subject to an average commission rate of 0.53% per annum (2010: 0.40% per annum) and have an original maturity of less than three months.

9 PREPAYMENTS AND OTHER ASSETS

	31 December 2011		31 December 2010	
	Insurance operations SR	Shareholders' operations SR	Insurance' operations SR	Shareholders' operations SR
Prepaid excess of loss premiums	-	-	1,073,827	-
Prepaid rent	217,661	-	264,614	-
Prepaid medical and IT expenses	215,109	-	188,894	-
Insurance syndicate receivables	383,535			
Employees' receivables	193,447			
Accrued special commission income	2,238	322,348	2,351	33,979
Others	304,632	500,000	209,924	-
	1,316,622	822,348	1,739,610	33,979

	31 December 2011 SR	31 December 2010 SR
Premiums receivable from policyholders	43,398,106	33,212,989
Less: Allowances for doubtful debts	(10,606,789)	(8,293,166)
	32,791,317	24,919,823
Reinsurance balances receivable	5,330,557	1,487,134
Less: Allowances for doubtful debts	(350,365)	(67,853)
	4,980,192	1,419,281
Total premiums and reinsurance balances receivables, net	37,771,509	26,339,104

10 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET (continued)

As at 31 December 2011 and 2010, the ageing of unimpaired balances is as follows:

2011			Past due but not impaired		
	Total	Neither past due nor impaired	91 to 180 Days	181 to 365 Days	More than 365 days
	SR	SR	SR	SR	SR
Policyholders	32,791,317	14,363,492	11,620,282	5,023,660	1,783,883
Reinsurers	4,980,192	1,632,410	194,490	2,980,362	172,930
2010					
Policyholders	24,919,823	9,484,650	5,068,234	9,449,686	917,253
Reinsurers	1,419,281	622,479	412,299	384,503	-

The Company classifies policyholders' and reinsurers' balances as 'past due and impaired' on a case by case basis. An impairment adjustment, if any, is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over premiums and reinsurance balances receivables and these are, therefore, unsecured.

The Company does not have an internal credit ratings assessment process. The amounts which are neither past due nor impaired in respect of policyholders balances are from individuals and corporates, which have not been subjected to a rating process by the Company. Balances due from reinsurers are with counterparties who have investment grade credit ratings, as rated by international rating agencies.

The movement in provision for doubtful policyholders' and reinsurance balances for the year ended 31 December 2011 is set out below:

	Policyholders SR	Reinsurers' SR	Total SR
Beginning balance	8,293,166	67,853	8,361,019
Charge for the year (statement of insurance operations)	2,313,623	282,512	2,596,135
Closing balance	10,606,789	350,365	10,957,154

The movement in provision for doubtful policyholders' and reinsurance balances for the period from 27 December 2009 to 31 December 2010 is set out below:

	Policyholders SR	Reinsurers' SR	Total SR
Portfolio transfer (note 2 b)	3,879,259	14,466	3,893,725
Charge for the period (statement of insurance operations)	4,413,907	53,387	4,467,294
Closing balance	8,293,166	67,853	8,361,019

11 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED PREMIUMS, OUTSTANDING CLAIMS AND UNEARNED COMMISSION INCOME

(a) Deferred policy acquisition costs

	2011 SR	For the period from 27 December 2009 to 31 December 2010 SR
Beginning balance	1,279,156	-
Portfolio transfer (note 2 b)	-	1,093,219
Paid during the year/period	15,181,469	15,026,191
Amortised during the period (statement of insurance operation)	(8,844,444)	(14,840,254)
Closing balance	7,616,181	1,279,156

(b) Unearned premiums

	31 December 2011			For the period from 27 December 2009 to 31 December 2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Beginning balance	15,265,721	7,000,103	8,265,618	-	-	-
Portfolio transfer (note 2 b)	-	-	-	14,724,545	6,093,427	8,631,118
Premiums written during the year / period	103,803,397	38,512,721	65,290,676	132,117,729	52,491,398	79,626,331
Premiums earned during the year / period	(73,740,960)	(32,708,592)	(41,032,368)	(131,576,553)	(51,584,722)	(79,991,831)
Closing balance	45,328,158	(12,804,232)	32,523,926	15,265,721	(7,000,103)	8,265,618

11 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED PREMIUMS, OUTSTANDING CLAIMS AND UNEARNED COMMISSION INCOME (continued)

(c) Outstanding claims

	31 December 2011			For the period from 27 December 2009 to 31 December 2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at 31 December	(28,199,628)	14,630,481	(13,569,147)	(41,271,092)	27,209,815	(14,061,277)
Incurred but not reported	(5,558,566)	1,791,553	(3,767,013)	(7,519,387)	4,931,398	(2,587,989)
Premium deficiency and other reserves	(2,444,663)	-	(2,444,663)	-	-	-
	(36,202,857)	16,422,034	(19,780,823)	(48,790,479)	32,141,213	(16,649,266)
Claims paid during the year / period	(52,428,436)	28,484,336	(23,944,100)	(66,153,464)	23,585,478	(42,567,986)
Outstanding at 1 January	(41,271,092)	27,209,815	(14,061,277)	22,714,638	(15,171,613)	7,543,025
Incurred but not reported	(7,519,387)	4,931,398	(2,587,989)	5,782,604	(4,853,178)	929,426
Premium deficiency and other reserves	-	-	-	209,484	-	209,484
	(48,790,479)	32,141,213	(16,649,266)	28,706,726	(20,024,791)	8,681,935
Claims incurred	(39,840,814)	12,765,157	(27,075,657)	(86,237,217)	35,701,900	(50,535,317)

The Company acquired an insurance portfolio (note 2 a) on 1 January 2009 and commenced its insurance operations on 1 July 2010. Accordingly, the opening balance of outstanding claims and IBNR reflects the balances of the acquired portfolio.

In view of the above, the management believes that the disclosure of a claims development table would not be meaningful.

(d) Unearned commission income

	2011 SR	For the period from 27 December 2009 to 31 December 2010 SR
Beginning balance	1,839,014	-
Portfolio transfer (note 2 b)	-	1,558,449
Commission received during the year/period	11,403,243	13,845,221
Commission earned during the period	(9,831,907)	(13,564,656)
Closing balance	3,410,350	1,839,014

12 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of property and equipment for the calculation of depreciation are as follows:

Leasehold improvements	10 years
Furniture, fixtures and office equipment	7-10 years
Computer equipment and software	4 years
Motor vehicles	4 years

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Computer equipment and software SR	Motor vehicles SR	Total 2011 SR	Total 2010 SR
Cost:						
Beginning balance	1,598,097	1,071,534	5,534,117	584,149	8,787,897	-
Portfolio transfer (note 2 a)	-	-	-	-	-	1,848,679
Additions for the year/period	403,088	262,790	349,905	112,466	1,128,249	7,059,533
Disposals	-	-	-	(593,358)	(593,358)	(120,315)
	2,001,185	1,334,324	5,884,022	103,257	9,322,788	8,787,897
Accumulated depreciation:						
Beginning balance	328,612	201,256	1,928,957	472,716	2,931,541	-
Portfolio transfer (note 2 a)	-	-	-	-	-	1,408,018
Charge for the year/period	267,185	128,437	1,214,340	27,923	1,637,885	1,633,510
Disposals	-	-	-	(474,826)	(474,826)	(109,987)
	595,797	329,693	3,143,297	25,813	4,094,600	2,931,541
Net book value:						
At 31 December 2011	1,405,388	1,004,631	2,740,725	77,444	5,228,188	
At 31 December 2010	1,269,485	870,278	3,605,160	111,433		5,856,356

The depreciation charge for the year / period has been included in the general and administrative expenses.

13 AVAILABLE FOR SALE INVESTMENTS

(i) Available for sale investments comprise of various bonds and sukuks issued by banks and corporates in the GCC countries amounting to SR 32,247,146 (31 December 2010: SR nil) and is managed by a financial institution who has an investment grade credit rating, as rated by international rating agencies.

(ii) Available for sale investments also comprise of an investment amounting to SR 1,923,078 (31 December 2010: SR nil) in an unquoted Company, registered in the Kingdom of Saudi Arabia. As there is no quoted price available, this investment has been valued at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

The Company did not hold any investments as at 31 December 2010.

13 AVAILABLE FOR SALE INVESTMENTS (continued)

(iii) The movement during the period in available for sale investments is as follows:

		31 December 2011)
		SR
Purchased during the year		38,001,783
Sold during the year		(3,726,662)
		34,275,121
Change in fair values		(104,897)
At the end of the year		34,170,224

The cumulative change in fair values of available for sale investments for the year ended 31 December 2011 amounting to SR (104,897) (31 December 2010: SR nil) is presented within shareholders' equity in the statement of financial position.

(iv) Investments are classified as follows:

	2011		
	Quoted SR	Unquoted SR	Total SR
Fixed rate bonds	15,145,950	-	15,145,950
Sukuks	16,114,495	986,701	17,101,196
Equities	-	1,923,078	1,923,078
Total	31,260,445	2,909,779	34,170,224

(v) The analysis of investments by counterparties is as follows:

		2011 SR
Quasi government		6,820,945
Banks and financial institutions		15,895,105
Corporates		11,454,174
Total		34,170,224

(vi) The credit quality of investment portfolio is as follows:

		2011 SR
AA- To AA		6,820,945
A- To A+		17,032,300
BBB+		1,907,200
Unrated		8,409,779
Total		34,170,224

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

13 AVAILABLE FOR SALE INVESTMENTS (continued)

(vii) Determination of fair value and fair values hierarchy

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

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repacking).

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2011			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Fixed rate bonds	15,145,950	-	-	15,145,950
Sukuks	16,114,495	-	986,701	17,101,196
Equities	-	-	1,923,078	1,923,078
	31,260,445	-	2,909,779	34,170,224

14 REINSURANCE AND INSURANCE BALANCES PAYABLE

	2011 SR	2010 SR
Brokers and salesmen payable	6,652,084	3,847,289
Reinsurance balance payable	6,431,633	11,789,533
Policyholders	2,092,935	4,877,456
Other insurance payables	359,452	1,184,969
	15,536,104	21,699,247

15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following are the details of major related party transactions during the year / period and the related balances at the end of the year / period:

		Amounts of transactions		Balance as at	
Related party	Nature of transactions	For the year ended 31 December 2011 (Audited) SR	For the period from 27 December 2009 to 31 December 2010 (Audited) SR	31 December 2011 (Audited) SR	31 December 2010 (Audited) SR
Shareholders	Pre-incorporation expenses paid on behalf of the Company	-	3,747,631		
	Gross written premiums	17,459,347	2,818,489		
	Reinsurance premium ceded	2,546,151	1,614,154		
	Reinsurance commission	562,790	-		
	Claims incurred on insurance policies	6,899,984	56,980		
	General and administrative expenses	292,939	1,200,222	(74,704)	(54,973)
Directors and committees' members	Board of directors and committees' remuneration fees and meeting expenses	1,571,073	529,359		
	Gross written premiums	138,137	19,725		
	Insurance brokerage contracts	1,364,640	-		

b) Compensation of key management personnel

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

	For the year ended 31 December 2011 (Audited) SR	For the period from 27 December 2009 to 31 December 2010 (Audited) SR
Short-term benefits	2,908,749	2,367,572
End of service benefits	114,896	113,229
	3,023,645	2,480,801

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2011		31 December 2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Provision for withholding taxes	1,179,232	-	634,709	-
Employees' related accruals	1,097,850		198,887	
Professional fees accruals and payable	862,357	-	224,797	-
Board of directors' fees	-	1,763,760	-	319,800
SAMA supervision fees payable	160,486	-	22,697	-
Others	1,051,963	105,551	344,210	-
	4,008,156	1,869,311	1,425,300	319,800

17 EMPLOYEES' END OF SERVICE BENEFITS

	2011 SR	For the period from 27 December 2009 to 31 December 2010 SR
Beginning balance	670,508	-
Portfolio transfer (note 2 b)	-	1,627,463
Charged during the year	567,337	1,051,776
Paid during the year	(444,424)	(2,008,731)
At the end of the year	793,421	670,508

18 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 130 million divided into 13 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 7.8 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's share capital and the remaining 5.2 million shares with a nominal value of SR 10 each have been subscribed by the public.

19 ZAKAT

	2011 SR	For the period from pre-incorporation to 31 December 2010 SR
Charge for the period	1,749,897	4,247,975

19 ZAKAT (continued)

The provision for the year / period is based on the following:

	2011 SR	2010 SR
Shareholders' equity	101,008,302	130,000,000
Book value of long term assets and statutory deposit	(20,151,266)	(18,856,356)
	80,857,036	111,143,644
Adjusted loss for the year / period	(10,861,138)	(19,224,653)
Zakat base	69,995,898	91,918,991

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable loss.

Movements in provision

	2011 SR	2010 SR
At the beginning of the year / period	4,247,975	-
Provided during the year / period	1,749,897	4,247,975
Payments during the year / period	(145,525)	-
At the end of the year / period	5,852,347	4,247,975

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2011		2010	
	Insurance Operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Employees' salaries and costs	18,391,357	-	22,931,289	-
Office rent	2,152,446	-	2,709,131	-
Depreciation (note 12)	1,637,885	-	1,633,510	-
Legal and professional fees	1,743,007	-	1,332,036	-
Utilities	358,413	-	765,116	-
Stationery and office supplies	439,834	-	688,466	-
Information technology expenses	658,104	-	367,000	-
Repairs and maintenance	110,698	-	243,371	-
Board of Director's and committees remuneration fees and expenses	-	1,571,073	-	529,359
Listing fees	-	220,000	-	220,000
Others	2,389,361	274,406	3,384,480	48,740
	27,881,105	2,065,479	34,054,399	798,099

21 INITIAL PUBLIC OFFERING AND PRE–INCORPORATION COSTS, NET

	For the period from pre-incorporation to 27 December 2009 SR
Initial public offering costs	4,720,079
Bank charges and guarantee fees	3,975,131
Employee costs	2,551,246
Legal and professional fees	1,908,650
Rent	860,667
Others	605,154
Total expenses incurred	14,620,927
Less: Commission earned from short-term deposits up to the date of Ministerial resolution (27 December 2009)	(898,859)
	13,722,068

22 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the year / period has been calculated by dividing the total comprehensive loss for the period by the ordinary issued and outstanding shares at the period end of 13 million shares.

23 RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organisational 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 centralised 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.

Audit committee

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire and accident, motor, medical and marine risks.

The Company issues short term insurance policies in connection with property, general accident and liability, motor, engineering and marine risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, general accident and liability, motor, engineering and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive polices for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim to SR 500,000 (2010 : SR 500,000).

Property

For property insurance contracts the main risks are fire and business interruption. The Company only underwrites 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 (2010 : SR 500,000).

23 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

General accident and liability

For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe, Public Liability, Workmen's Compensation, and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. The Company has reinsurance cover for such damage to limit losses for any individual claim to SR 500,000 (2010 : SR 500,000).

Marine

For marine insurance 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 class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2010 : SR 500,000).

Engineering

For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. The Company has reinsurance cover to limit losses for any individual claim to SR 500,000 (2010 : SR 500,000).

Sensitivity analysis

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 2,708,210 (2010 : SR 5,053,760) annually in aggregate

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance 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 reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurer 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 reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2011	2010
	SR	SR
Europe	11,490,671	13,371,400
Middle East including Kingdom of Saudi Arabia	3,139,810	13,838,415
	14,630,481	27,209,815

23 RISK MANAGEMENT (continued)

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2011. The Company had no floating rate financial assets as at 31 December 2011.

d) 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' exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The table below shows the maximum exposure to credit risk for the significant components of the statement of financial position.

	2011		2010	
	Insurance' Operations	Shareholders' operations	Insurance' operations	Shareholders' operations
Investments	-	34,170,224	-	-
Reinsurers' share of outstanding claims	16,422,034	-	32,141,213	-
Cash equivalents	35,558,619	33,379,381	20,385,582	87,486,216
Premiums and reinsurance balances receivable, net	37,771,509	-	26,339,104	-
Statutory deposit	-	13,000,000	-	13,000,000
	89,752,162	80,549,605	78,865,899	100,486,216

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the expected maturity profile of the financial assets and financial liabilities of the Company as of the reporting date. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

23 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,000,000	13,000,000
Prepayments and other assets	3,505		3,505	322,348		322,348
Reinsurers' share of outstanding claims	16,422,034	-	16,422,034	-	-	-
Premiums and reinsurance balances Receivable, net	37,771,509	-	37,771,509	-	-	-
Due from insurance operations	-	-	-	-	11,553,307	11,553,307
Cash and cash equivalents	35,673,588	-	35,673,588	33,379,381	-	33,379,381
TOTAL ASSETS	89,870,636	-	9,870,636	33,701,729	24,553,307	58,255,036

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	33,758,195	-	33,758,195	-	-	-
Due to a related parties	-	-	-	74,704	-	74,704
Employees' end of service benefits	-	793,421	793,421	-	-	-
Reinsurance and insurance balances payable	15,536,104	-	15,536,104	-	-	-
Zakat payable	-	-	-	5,852,347	-	5,852,347
Accrued expenses and other liabilities	4,008,156	-	4,008,156	1,869,311	-	1,869,311
Due to shareholders' operations	-	11,553,307	11,553,307	-	-	-
TOTAL LIABILITIES	56,712,805	12,346,728	69,059,533	7,796,362	-	7,796,362

23 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
ASSETS						
Statutory deposit	-	-	-	-	13,000,000	13,000,000
Prepayments and other assets	-	-	-	33,979	-	33,979
Reinsurers' share of outstanding claims	32,141,213	-	32,141,213	-	-	-
Premiums and reinsurance balances Receivable, net	26,339,104	-	26,339,104	-	-	-
Due from insurance operations	-	-	-	-	5,110,855	5,110,855
Cash and cash equivalents	20,445,582	-	20,445,582	87,486,216	-	87,486,216
TOTAL ASSETS	78,925,899	-	78,925,899	87,520,195	18,110,855	105,631,050

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	48,790,479	-	48,790,479	-	-	-
Unearned reinsurance commission	1,839,014	-	1,839,014	-	-	-
Due to a related party	-	-	-	54,973	-	54,973
Employees' end of service benefits	-	670,508	670,508	-	-	-
Reinsurance and insurance balances payable	21,699,247	-	21,699,247	-	-	-
Zakat payable	-	-	-	4,247,975	-	4,247,975
Accrued expenses and other liabilities	1,425,300	-	1,425,300	319,800	-	319,800
Due to shareholders' operations	-	5,110,855	5,110,855	-	-	-
TOTAL LIABILITIES	73,754,040	5,781,363	79,535,403	4,622,748	-	4,622,748

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all contractually payable on the basis as set out above.

23 RISK MANAGEMENT (continued)

f) 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 Saudi Riyals or currencies pegged to the Saudi Riyal.

g) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

h) 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 minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

i) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, statutory deposit, premiums and reinsurance balances receivables, and reinsurers' share of outstanding claims; its financial liabilities consist of gross outstanding claims, reinsurance and insurance balances payable, accrued expenses and other liabilities. Accounting policies for financial assets and liabilities are set out in note 6.

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 fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

24 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, premiums and reinsurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

24 SEGMENT INFORMATION (continued)

Operating segments For the year ended 31 December 2011	Property SR	Motor SR	Marine SR	Others SR	Total SR
Gross written premiums	11,602,487	59,746,672	19,641,618	12,812,620	103,803,397
Reinsurance premiums ceded	(10,742,508)	(1,337,401)	(13,464,767)	(10,617,165)	(36,161,841)
Excess of loss premiums	(238,666)	(1,227,585)	(789,321)	(95,308)	(2,350,880)
Net premiums written	621,313	57,181,686	5,387,530	2,100,147	65,290,676
Movement in unearned premiums, net	(95,842)	(22,901,562)	(628,042)	(632,862)	(24,258,308)
Net premiums earned	525.471	34,280,124	4,759,488	1,467,285	41,032,368
Reinsurance commission income	2,186,588	187,461	5,385,723	2,072,135	9,831,907
Policy fees	11,872	2,270,569	224,814	13,460	2,520,715
Total revenues	2,723,931	36,738,154	10,370,025	3,552,880	53,384,990
Net claims paid	(657,887)	(22,446,260)	(535,880)	(304,073)	(23,944,100)
Movement in outstanding claims, net	298,571	(1,303,483)	335,559	(17,541)	(686,894)
Movement in premium deficiency and other reserves	(100,000)	(2,344,663)	-	-	(2,444,663)
Net claims incurred	(459,316)	(26,094,406)	(200,321)	(321,614)	(27,075,657)
Policy acquisition costs	(1,022,159)	(5,636,079)	(1,469,031)	(717,175)	(8,844,444)
Inspection and supervision fees	(40,651)	(294,144)	(88,470)	(54,626)	(477,891)
Total underwriting costs	(1,522,126)	(32,024.629)	(1,757,822)	(1,093,415)	(36,397,992)
Net underwriting surplus	1,201,805	4,713,525	8,612,203	2,459,465	16,986,998
Unallocated expenses					(30,477,240)
Unallocated income					99,900
Net deficit from insurance operations					(13,390,342)

24 SEGMENT INFORMATION (continued)

Operating segments For the period from 27 December 2009 to 31 December 2010	Property	Motor	Marine	Others	Total
	SR	SR	SR	SR	SR
Gross premiums written	16,909,347	73,795,841	24,898,335	16,514,206	132,117,729
Reinsurance premiums ceded	(15,715,234)	(1,730,343)	(18,856,750)	(13,150,471)	(49,452,798)
Excess of loss premiums	(178,148)	(1,563,452)	(1,164,435)	(132,565)	(3,038,600)
Net insurance premiums written	1,015,965	70,502,046	4,877,150	3,231,170	79,626,331
Movement in unearned premiums, net	(40,832)	534,178	(366,836)	238,990	365,500
Net premiums earned	975,133	71,036,224	4,510,314	3,470,160	79,991,831
Reinsurance commission income	3,275,681	127,533	7,582,163	2,579,279	13,564,656
Policy fees	21,807	89,651	301,940	16,586	429,984
Total revenues	4,272,621	71,253,408	12,394,417	6,066,025	93,986,471
Claims paid, net	(845,615)	(38,891,442)	(1,986,928)	(844,001)	(42,567,986)
Movement in outstanding claims	(119,184)	(7,430,824)	(452,746)	35,423	(7,967,331)
Net claims incurred	(964,799)	(46,322,266)	(2,439,674)	(808,578)	(50,535,317)
Policy acquisition costs	(1,618,568)	(9,692,374)	(2,199,962)	(1,329,350)	(14,840,254)
Inspection and supervision fees	(70,095)	(424,443)	(147,984)	(82,439)	(724,961)
Total underwriting costs	(2,653,462)	(56,439,083)	(4,787,620)	(2,220,367)	(66,100,532)
Net underwriting surplus	1,619,159	14,814,325	7,606,797	3,845,658	27,885,939
Unallocated expenses					(38,521,693)
Unallocated income					107,914
Net deficit from insurance operations					(10,527,840)

24 SEGMENT INFORMATION (continued)

Operating segments As at 31 December 2011	Property	Motor	Marine	Others	Total
	SR	SR	SR	SR	SR
ASSETS					
Reinsurers' share of unearned premiums	3,673,867	617,816	3,488,822	5,023,727	12,804,232
Reinsurers' share of outstanding claims	2,759,849	2,322,877	3,376,316	7,962,992	16,422,034
Deferred policy acquisition costs	364,176	6,416,437	363,494	472,074	7,616,181
SEGMENT ASSETS	6,797,892	9,357,130	7,228,632	13,458,793	36,842,447
Unallocated assets					79,989,907
TOTAL ASSETS					116,832,354
LIABILITIES					
Gross unearned premiums	3,929,511	30,313,534	4,985,561	6,099,552	45,328,158
Gross outstanding claims	3,385,397	16,311,527	4,927,339	9,133,932	33,758,195
Unearned reinsurance commission	855,101	83,473	1,239,534	1,232,242	3,410,350
SEGMENT LIABILITIES	8,170,009	46,708,534	11,152,434	16,465,726	82,496,703
Unallocated liabilities					34,335,651
TOTAL LIABILITIES					116,832,354

Operating segments As at 31 December 2010	Property	Motor	Marine	Others	Total
	SR	SR	SR	SR	SR
ASSETS					
Reinsurers' share of unearned premiums	2,225,531	450,921	1,823,108	2,500,543	7,000,103
Reinsurers' share of outstanding claims	18,349,030	1,794,603	3,566,506	8,431,074	32,141,213
Deferred policy acquisition costs	166,163	646,817	260,961	205,215	1,279,156
SEGMENT ASSETS	20,740,724	2,892,341	5,650,575	11,136,832	40,420,472
Unallocated assets					54,380,652
TOTAL ASSETS					94,801,124
LIABILITIES					
Gross unearned premiums	2,385,333	7,245,077	2,691,805	2,943,506	15,265,721
Gross outstanding claims	19,273,149	14,479,769	5,453,088	9,584,473	48,790,479
Unearned reinsurance commission	489,797	39,637	693,784	615,796	1,839,014
SEGMENT LIABILITIES	22,148,279	21,764,483	8,838,677	13,143,775	65,895,214
Unallocated liabilities					28,905,910
TOTAL LIABILITIES					94,801,124

25 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the 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 such proceedings (including litigations) will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

b) Operating lease commitments

The minimum future lease payments for the use of the Company's premises total SR 2,079,770 payable during 2012(2011: SR 1,988,770).

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 24 Jumada Awal 1433H, corresponding to 16 April 2012.

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Buruj Cooperative Insurance