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**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 2015**

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**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  

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**For the year ended 31 December 2015**

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**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 2015, 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 2015 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.

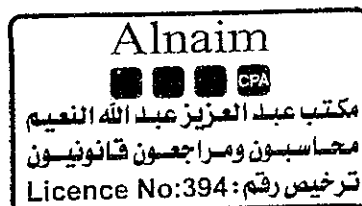
**PKF Al-Bassam & Al-Nemer**  
Allied Accountants  
P O Box 28355  
Riyadh 11437  
Kingdom of Saudi Arabia

**Abdul Mohsen M. Al-Nemer**  
Certified Public Accountant  
Licence No. 399



**Abdulaziz A. Alnaim**  
Certified Public Accountants  
P O Box 26991  
Riyadh 11496  
Kingdom of Saudi Arabia

**Abdulaziz A. Alnaim**  
Certified public Accountant  
Licence No. 394



7 Jumaada al-awal 1437H  
(16 February 2016)

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

	<i>Note</i>	<i>2015 SR</i>	<i>2014 SR</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	6	151,818,340	192,137,163
Time deposits	7	149,199,175	-
Premiums and reinsurance balances receivable, net	9(a)	46,988,000	38,905,474
Available for sale investments	13(i)(a)	45,180,145	29,946,280
Reinsurers' share of outstanding claims	11(a)	111,531,028	45,789,566
Prepayments and other assets	8	10,993,779	8,081,955
Deferred policy acquisition costs	10(a)	17,775,959	14,236,385
Reinsurers' share of unearned premiums	10(b)	14,201,309	15,449,620
Held to maturity investment	13(i)(c)	-	8,000,000
Property and equipment, net	12	2,534,400	3,158,856
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>550,222,135</b>	<b>355,705,299</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	6	61,634,436	19,293,257
Time deposits	7	60,000,000	-
Available for sale investments	13(ii)(a)	63,101,149	52,908,862
Due from insurance operations		34,033,715	15,543,197
Prepayments and other assets	8	690,728	1,493,164
Held to maturity investment	13(ii)(c)	5,000,000	-
Investment in an associate	13(ii)(d)	1,200,000	-
Statutory deposit	20	25,337,805	13,243,810
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>250,997,833</b>	<b>102,482,290</b>
<b>TOTAL ASSETS</b>		<b>801,219,968</b>	<b>458,187,589</b>

The accompanying notes 1 to 28 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2015

	<i>Note</i>	<i>2015 SR</i>	<i>2014 SR</i>
<b>INSURANCE OPERATIONS' LIABILITIES &amp; SURPLUS</b>			
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	11(a)	253,864,386	123,499,116
Reinsurance and insurance balances payable	15	17,981,967	19,765,059
Accrued expenses and other liabilities	17	17,630,707	11,101,617
Employees' end of service benefits	18	3,825,949	2,914,841
Due to shareholders' operations		34,033,715	15,543,197
Unearned reinsurance commission	10(c)	3,085,518	3,656,749
Gross unearned premiums	10(b)	215,746,194	163,402,878
Premium deficiency and other reserves		3,502,338	13,835,299
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>549,670,774</b>	<b>353,718,756</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus		6,617,215	2,984,395
Changes in fair values of available for sale investments	13(i)(b)	(6,065,854)	(997,852)
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES &amp; SURPLUS</b>		<b>550,222,135</b>	<b>355,705,299</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Zakat payable	23	14,691,356	9,733,588
Accrued expenses and other liabilities	17	3,268,563	2,758,611
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>17,959,919</b>	<b>12,492,199</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	21	250,000,000	130,000,000
Accumulated losses		(17,597,642)	(41,063,537)
Change in fair values of available for sale investments	13(ii)(b)	635,556	1,053,628
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>233,037,914</b>	<b>89,990,091</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>250,997,833</b>	<b>102,482,290</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>801,219,968</b>	<b>458,187,589</b>

The accompanying notes 1 to 28 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 2015

	<i>Note</i>	<i>2015 SR</i>	<i>2014 SR</i>
Gross written premiums	10 (b)	446,992,592	379,301,196
Reinsurance premiums ceded	10 (b)	(47,801,427)	(47,680,595)
Excess of loss premiums	10 (b)	(13,683,787)	(6,557,198)
<b>NET PREMIUMS WRITTEN</b>		<b>385,507,378</b>	<b>325,063,403</b>
Movement in unearned premiums, net	10 (b)	(53,591,627)	(51,160,306)
<b>NET PREMIUMS EARNED</b>	10 (b)	<b>331,915,751</b>	<b>273,903,097</b>
Reinsurance commission income	10 (c)	24,938,624	13,656,496
Policy fees and other underwriting income		16,247,118	9,617,700
<b>TOTAL REVENUES</b>		<b>373,101,493</b>	<b>297,177,293</b>
Gross claims paid	11 (a)	(227,633,410)	(174,196,827)
Reinsurance share of claims paid	11 (a)	26,762,431	17,043,409
<b>NET CLAIMS PAID</b>		<b>(200,870,979)</b>	<b>(157,153,418)</b>
Movement in outstanding claims, net	11 (a)	(64,623,808)	(31,748,218)
Movement in premium deficiency and other reserves	11 (a)	10,332,961	(9,033,153)
<b>NET CLAIMS INCURRED</b>		<b>(255,161,826)</b>	<b>(197,934,789)</b>
Policy acquisition costs	10 (a)	(34,650,263)	(31,456,161)
Inspection and supervision fees		(3,095,539)	(2,839,046)
Third party administrator fees		(4,149,632)	(5,263,821)
Other underwriting expenses		(1,692,210)	(1,398,239)
<b>TOTAL UNDERWRITING COSTS</b>		<b>(298,749,470)</b>	<b>(238,892,056)</b>
<b>NET UNDERWRITING SURPLUS</b>		<b>74,352,023</b>	<b>58,285,237</b>
General and administrative expenses	19	(41,315,928)	(40,913,233)
Allowance for doubtful debts	9(c)	(1,519,979)	(1,090,543)
Special commission income from time deposits	6,7	2,186,743	1,595,291
Special commission income from investments		955,354	217,230
Dividend income		776,451	278,538
Realized gain from available for sale investments		554,701	4,122,231
Other income		338,840	17,801
<b>SURPLUS FROM INSURANCE OPERATIONS</b>		<b>36,328,205</b>	<b>22,512,552</b>
Surplus transferred to shareholders' operations		(32,695,385)	(20,261,297)
<b>NET RESULT FOR THE YEAR</b>		<b>3,632,820</b>	<b>2,251,255</b>
Accumulated surplus at beginning of the year		2,984,395	733,140
<b>ACCUMULATED SURPLUS AT END OF THE YEAR</b>		<b>6,617,215</b>	<b>2,984,395</b>

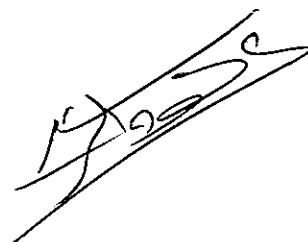
The accompanying notes 1 to 28 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS (continued)**  
For the year ended 31 December 2015

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	<i>Note</i>	<b>2015 SR</b>	<b>2014 SR</b>
<b>NET RESULT FOR THE YEAR</b>		<b>3,632,820</b>	<b>2,251,255</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</b>			
Realized (gain) loss from available for sale investments transferred to income		<b>(554,701)</b>	<b>(4,122,231)</b>
Change in fair values of available for sale investments	13(i)(b)	<b>(4,513,301)</b>	<b>3,124,379</b>
Net change in fair values of available for sale investments		<b>(5,068,002)</b>	<b>(997,852)</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>		<b>(1,435,182)</b>	<b>1,253,403</b>

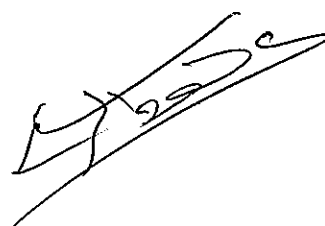



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**

For the year ended 31 December 2015

	<i>Note</i>	<b>2015 SR</b>	<b>2014 SR</b>
Surplus transferred from insurance operations		32,695,385	20,261,297
<b>EXPENSES</b>			
General and administrative	19	(2,277,857)	(2,124,771)
<b>INCOME FROM OPERATIONS</b>		<b>30,417,528</b>	<b>18,136,526</b>
Special commission income from time deposits	6,7	740,220	288,064
Special commission income from available for sale investments		1,066,249	1,046,053
Realized gain from available for sale investments		629,577	628,857
Dividend income		339,103	-
<b>INCOME BEFORE ZAKAT</b>		<b>33,192,677</b>	<b>20,099,500</b>
Zakat	23	(4,957,768)	(2,434,063)
<b>NET INCOME FOR THE YEAR</b>		<b>28,234,909</b>	<b>17,665,437</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO INCOME:</b>			
Realized gain from available for sale investments transferred to income		(629,577)	(628,857)
Change in fair values of available for sale investments	13(ii)(b)	211,505	2,472,355
Net change in fair values of available for sale investments		(418,072)	1,843,498
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>27,816,837</b>	<b>19,508,935</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (AFTER ZAKAT) FOR THE YEAR – RESTATED</b>	22	<b>1.22</b>	<b>0.91</b>
<b>WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – RESTATED</b>	22	<b>23,205,824</b>	<b>19,370,000</b>

The accompanying notes 1 to 28 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 2015

	<i>Share Capital SR</i>	<i>Accumulated losses SR</i>	<i>Change in fair values of available for sale investments SR</i>	<i>Total SR</i>
<b>2014</b>				
Balance as at 1 January 2014	130,000,000	(58,728,974)	(789,870)	70,481,156
Net income for the year	-	17,665,437	-	17,665,437
<i>Other comprehensive income:</i>				
Net change in fair values of available for sale investments	-	-	1,843,498	1,843,498
<i>Total comprehensive income for the year</i>	-	17,665,437	1,843,498	19,508,935
Balance as at 31 December 2014	130,000,000	(41,063,537)	1,053,628	89,990,091
<b>2015</b>				
Balance as at 1 January 2015	130,000,000	(41,063,537)	1,053,628	89,990,091
Net income for the year	-	28,234,909	-	28,234,909
<i>Other comprehensive income:</i>				
Net change in fair values of available for sale investments	-	-	(418,072)	(418,072)
<i>Total comprehensive income for the year</i>	-	28,234,909	(418,072)	27,816,837
Rights issue (note 21)	120,000,000	-	-	120,000,000
Rights issue transaction costs (note 21)	-	(4,769,014)	-	(4,769,014)
Balance as at 31 December 2015	250,000,000	(17,597,642)	635,556	233,037,914



The accompanying notes 1 to 28 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 2015

	Note	2015 SR	2014 SR
<b>OPERATING ACTIVITIES</b>			
Net result for the year		3,632,820	2,251,255
<i>Adjustments for:</i>			
Surplus transferred to shareholders' operations		32,695,385	20,261,297
Depreciation	12	1,225,302	1,358,588
Provision for employees' end of service benefits	18	1,031,339	996,153
Allowance for doubtful debts	9(c)	1,519,979	1,044,863
Realized gain from available for sale investments		(554,701)	(4,122,231)
Gain on disposal of property and equipment		(24,273)	(17,801)
<i>Net surplus before changes in operating assets and liabilities</i>		<u>39,525,851</u>	<u>21,772,124</u>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurance balances receivable		(9,602,505)	(12,200,074)
Reinsurers' share of outstanding claims		(65,741,462)	(7,023,562)
Prepayments and other assets		(2,911,824)	2,189,300
Deferred policy acquisition costs		(3,539,574)	(3,705,040)
Reinsurers' share of unearned premiums		1,248,311	12,587,692
Gross outstanding claims		130,365,270	38,771,780
Reinsurance and insurance balances payable		(1,783,092)	(2,203,922)
Accrued expenses and other liabilities		6,529,090	2,555,910
Unearned reinsurance commission		(571,231)	(149,117)
Gross unearned premiums		52,343,316	38,572,614
Premium deficiency and other reserves		(10,332,961)	9,033,153
<i>Cash from operations</i>		<u>135,529,189</u>	<u>100,200,858</u>
Employees' end of service benefits paid	18	(120,231)	(142,343)
Net cash from operating activities		<u>135,408,958</u>	<u>100,058,515</u>
<b>INVESTING ACTIVITIES</b>			
Time deposits		(149,199,175)	-
Purchase of available for sale investments	13(i)(b)	(77,359,746)	(53,263,093)
Proceeds from sale of available for sale investments	13(i)(b)	57,612,580	26,441,192
Proceeds of held to maturity investments	13(i)(c)	8,000,000	-
Purchase of property and equipment	12	(603,073)	(1,220,726)
Proceeds from disposal of property and equipment		26,500	20,100
Net cash used in investing activities		<u>(161,522,914)</u>	<u>(28,022,527)</u>
<b>FINANCING ACTIVITY</b>			
Due to shareholders' operations		(14,204,867)	(1,429,253)
Net cash used in financing activity		<u>(14,204,867)</u>	<u>(1,429,253)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(40,318,823)</u>	<u>70,606,735</u>
Cash and cash equivalents at beginning of the year		192,137,163	121,530,428
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	6	<u>151,818,340</u>	<u>192,137,163</u>
<i>Non-cash transactions:</i>			
Transfer of surplus to shareholders' comprehensive operations		32,695,385	20,261,297
Net change in fair value of available for sale investments	13(i)(b)	(5,068,002)	(997,852)

The accompanying notes 1 to 28 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 2015

	<i>Note</i>	<i>2015 SR</i>	<i>2014 SR</i>
<b>OPERATING ACTIVITIES</b>			
Income before zakat		33,192,677	20,099,500
<i>Adjustments for:</i>			
Surplus transferred from insurance operations		(32,695,385)	(20,261,297)
Realized gain from available for sale investments		(629,577)	(628,857)
Net deficit before changes in operating assets and liabilities		(132,285)	(790,654)
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		802,436	(1,232,132)
Statutory deposit		(12,093,995)	(86,709)
Accrued expenses and other liabilities		509,952	569,827
Cash used in operations		(10,913,892)	(1,539,668)
Zakat paid	23	-	(64,738)
Net cash used in operating activities		(10,913,892)	(1,604,406)
<b>INVESTING ACTIVITIES</b>			
Time deposits		(60,000,000)	-
Purchase of available for sale investments	13(ii)(b)	(33,772,937)	(5,460,792)
Proceeds from sale of available for sale investments	13(ii)(b)	23,792,155	11,405,322
Purchase of held to maturity investment	13(ii)(c)	(5,000,000)	-
Investment in associate	13(ii)(d)	(1,200,000)	-
Net cash (used in) from investing activities		(76,180,782)	5,944,530
<b>FINANCING ACTIVITY</b>			
Proceeds from rights issue	21	120,000,000	-
Payment for rights issue transaction costs	21	(4,769,014)	-
Due from insurance operations		14,204,867	1,429,253
Net cash from financing activity		129,435,853	1,429,253
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		42,341,179	5,769,377
Cash and cash equivalents at the beginning of the year		19,293,257	13,523,880
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6	61,634,436	19,293,257
<b><u>Non-cash transactions:</u></b>			
Transfer of surplus from insurance operations		(32,695,385)	(20,261,297)
Net change in fair values of available for sale investments	13(ii)(b)	(418,072)	1,843,498

The accompanying notes 1 to 28 form part of these financial statements.

# BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

### 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 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 2015 amounting to SR 36.33 million (31 December 2014: SR 22.51 million). Accordingly, 90% of the net surplus amounting to SR 32.69 million (31 December 2014: SR 20.26 million) has been transferred to the shareholders' operations.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**3A CHANGES IN ACCOUNTING POLICIES AND NEW STANDARDS AND AMENDMENTS ISSUED**

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 01 January 2015.

*New and amended standards issued and adopted*

Amendments to IAS 19 applicable for annual periods beginning on or after 01 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycles applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 – "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – "Property plant and equipment" and IAS 38 – "intangible assets": – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – "related party disclosures"– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

**3B STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

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

*IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

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**3B STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

**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.

***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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided. The Company also relies primarily on the IBNR reserves as ultimately set out by the Company's actuary.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair value measurement (continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

*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.



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**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 comprehensive 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.

***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.

***Special commission income***

Special commission income is recognised on an effective yield basis.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

***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.

***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 2015.

***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' comprehensive 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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**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 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 deficit 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 operations. 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.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments (continued)*

*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 comprehensive 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.

*Investment in associates*

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of an investee entity.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements of the Company include the Company's share of the profit or loss and other comprehensive income, until the date on which significant influence ceases. Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. The reporting dates of the associate are identical to the Company's reporting dates and their accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

**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.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
31 December 2015

**5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

*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**

	2015		2014	
	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>
Cash in hand and at banks	147,818,340	44,908,990	179,909,663	19,293,257
Short term deposits	4,000,000	16,725,446	12,227,500	-
Cash and cash equivalents	<u>151,818,340</u>	<u>61,634,436</u>	<u>192,137,163</u>	<u>19,293,257</u>

Short term deposits placed with local banks and financial institutions have an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 1.80% per annum (2014: 1.05%).

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

**7 TIME DEPOSITS**

Time deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 1.50% per annum (31 December 2014: nil).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**8 PREPAYMENTS AND OTHER ASSETS**

	<b>2015</b>		<b>2014</b>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Insurance syndicate receivable	3,213,798	-	1,817,028	-
Prepaid third party administrator fees	3,171,399	-	2,433,562	-
Prepaid excess of loss premiums	1,830,900	-	1,824,420	-
Prepaid rent	884,529	-	872,176	-
Advances paid to suppliers / on rights issue expenses	595,000	-	-	1,170,086
Prepaid IT and other expenses	231,382	-	257,449	-
Accrued commission income	150,519	690,728	81,078	323,078
Others	916,252	-	796,242	-
	<u>10,993,779</u>	<u>690,728</u>	<u>8,081,955</u>	<u>1,493,164</u>

**9 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET**

(a) Premiums and reinsurance balances receivable are comprised of the following:

	<b>2015</b>	<b>2014</b>
	<i>SR</i>	<i>SR</i>
Premiums receivable	51,913,108	46,178,206
Less: Allowance for doubtful debts	(10,268,615)	(8,838,890)
	<u>41,644,493</u>	<u>37,339,316</u>
Reinsurance balances receivable	6,368,547	2,500,944
Less: Allowance for doubtful debts	(1,025,040)	(934,786)
	<u>5,343,507</u>	<u>1,566,158</u>
Total premiums and reinsurance balances receivable, net	<u>46,988,000</u>	<u>38,905,474</u>

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**9 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET (continued)**

(b) As at 31 December 2015 and 2014, the ageing of unimpaired balances is as follows:

	<i>Total SR</i>	<i>Neither past due nor impaired SR</i>	<i>Past due but not impaired</i>		
			<i>91 to 180 days SR</i>	<i>181 to 365 days SR</i>	<i>More than 365 days SR</i>
<b>2015</b>					
Policyholders	<u>41,644,493</u>	<u>18,656,182</u>	<u>11,392,252</u>	<u>11,496,742</u>	<u>99,317</u>
Reinsurers	<u>5,343,507</u>	<u>5,343,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2014</b>					
Policyholders	<u>37,339,316</u>	<u>18,403,426</u>	<u>9,921,453</u>	<u>8,895,019</u>	<u>119,418</u>
Reinsurers	<u>1,566,158</u>	<u>1,368,853</u>	<u>41,190</u>	<u>110,435</u>	<u>45,680</u>

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 2015 and 2014 are set out below:

	<i>Policyholders SR</i>	<i>Reinsurers' SR</i>	<i>Total SR</i>
<b>2015</b>			
Beginning balance	8,838,890	934,786	9,773,676
Charge for the year	<u>1,429,725</u>	<u>90,254</u>	<u>1,519,979</u>
<i>Closing balance</i>	<u>10,268,615</u>	<u>1,025,040</u>	<u>11,293,655</u>
<b>2014</b>			
Beginning balance	7,909,106	819,707	8,728,813
Charge for the year	929,784	160,759	1,090,543
Written-off	-	(45,680)	(45,680)
<i>Closing balance</i>	<u>8,838,890</u>	<u>934,786</u>	<u>9,773,676</u>

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31 December 2015

**10 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED PREMIUMS AND UNEARNED REINSURANCE COMMISSION**

**(a) DEFERRED POLICY ACQUISITION COSTS**

	2015 SR	2014 SR
Beginning balance	14,236,385	10,531,345
Paid during the year	38,189,837	35,161,201
Amortised during the year ( <i>insurance operations</i> )	(34,650,263)	(31,456,161)
<i>Closing balance</i>	<u>17,775,959</u>	<u>14,236,385</u>

**(b) UNEARNED PREMIUMS**

	2015			2014		
	<i>Gross</i> SR	<i>Reinsurers' share</i> SR	<i>Net</i> SR	<i>Gross</i> SR	<i>Reinsurers' share</i> SR	<i>Net</i> SR
Beginning balance	163,402,878	(15,449,620)	147,953,258	124,830,264	(28,037,312)	96,792,952
Premiums written during the year (see note below)	446,992,592	(61,485,214)	385,507,378	379,301,196	(54,237,793)	325,063,403
Premiums earned during the year	(394,649,276)	62,733,525	(331,915,751)	(340,728,582)	66,825,485	(273,903,097)
<i>Closing balance</i>	<u>215,746,194</u>	<u>(14,201,309)</u>	<u>201,544,885</u>	<u>163,402,878</u>	<u>(15,449,620)</u>	<u>147,953,258</u>

*Note:* Reinsurers' share of premiums written during the year includes excess of loss premiums of SR 13,683,787 for the year ended 31 December 2015 (2014: SR 6,557,198).

**(c) UNEARNED REINSURANCE COMMISSION**

	2015 SR	2014 SR
Beginning balance	3,656,749	3,805,866
Commission received during the year	24,367,393	13,507,379
Commission earned during the year ( <i>insurance operations</i> )	(24,938,624)	(13,656,496)
<i>Closing balance</i>	<u>3,085,518</u>	<u>3,656,749</u>



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31 December 2015

**11 CLAIMS**

**(a) OUTSTANDING CLAIMS**

	<b>2015</b>			<b>2014</b>		
	<b>Gross SR</b>	<b>Reinsurers' share SR</b>	<b>Net SR</b>	<b>Gross SR</b>	<b>Reinsurers' share SR</b>	<b>Net SR</b>
Outstanding at 31 December	(163,379,200)	89,366,323	(74,012,877)	(82,382,475)	35,212,727	(47,169,748)
Incurred but not reported	(90,485,186)	22,164,705	(68,320,481)	(41,116,641)	10,576,839	(30,539,802)
<b>Total outstanding claims</b>	<b>(253,864,386)</b>	<b>111,531,028</b>	<b>(142,333,358)</b>	<b>(123,499,116)</b>	<b>45,789,566</b>	<b>(77,709,550)</b>
Premium deficiency and other reserves	(3,502,338)	-	(3,502,338)	(13,835,299)	-	(13,835,299)
	(257,366,724)	111,531,028	(145,835,696)	(137,334,415)	45,789,566	(91,544,849)
<b>Claims paid during the year</b>	<b>(227,633,410)</b>	<b>26,762,431</b>	<b>(200,870,979)</b>	<b>(174,196,827)</b>	<b>17,043,409</b>	<b>(157,153,418)</b>
Outstanding at 1 January	(82,382,475)	35,212,727	(47,169,748)	(55,201,641)	26,421,202	(28,780,439)
Incurred but not reported	(41,116,641)	10,576,839	(30,539,802)	(29,525,695)	12,344,802	(17,180,893)
<b>Total outstanding claims</b>	<b>(123,499,116)</b>	<b>45,789,566</b>	<b>(77,709,550)</b>	<b>(84,727,336)</b>	<b>38,766,004</b>	<b>(45,961,332)</b>
Premium deficiency and other reserves	(13,835,299)	-	(13,835,299)	(4,802,146)	-	(4,802,146)
	(137,334,415)	45,789,566	(91,544,849)	(89,529,482)	38,766,004	(50,763,478)
<b>Claims incurred</b>	<b>(347,665,719)</b>	<b>92,503,893</b>	<b>(255,161,826)</b>	<b>(222,001,760)</b>	<b>24,066,971</b>	<b>(197,934,789)</b>

**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.

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.

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**11 CLAIMS (continued)**

**(b) CLAIMS DEVELOPMENT TABLE (continued)**

**GROSS**

**2015**

<i>Accident year</i>	<i>31 December 2010 and earlier SR</i>	<i>31 December 2011 SR</i>	<i>31 December 2012 SR</i>	<i>31 December 2013 SR</i>	<i>31 December 2014 SR</i>	<i>31 December 2015 SR</i>	<i>Total SR</i>
Estimate of cumulative claims:							
At end of accident year	43,342,909	48,666,959	139,961,586	154,955,171	222,925,179	353,201,020	-
One year later	44,622,211	52,187,517	138,929,703	141,478,033	221,574,214	-	-
Two years later	42,356,049	49,315,376	140,808,597	148,710,230	-	-	-
Three years later	42,576,913	49,802,099	142,830,072	-	-	-	-
Four years later	42,687,913	49,648,452	-	-	-	-	-
Five years later	42,695,243	-	-	-	-	-	-
<b>Current estimate of cumulative claims incurred</b>	<b>42,695,243</b>	<b>49,648,452</b>	<b>142,830,072</b>	<b>148,710,230</b>	<b>221,574,214</b>	<b>353,201,020</b>	<b>958,659,231</b>
Cumulative payments to date	(41,436,496)	(44,532,191)	(136,641,976)	(131,577,993)	(181,991,269)	(168,614,920)	(704,794,845)
Total cumulative gross outstanding claims recognised in statement of financial position	<u>1,258,747</u>	<u>5,116,261</u>	<u>6,188,096</u>	<u>17,132,237</u>	<u>39,582,945</u>	<u>184,586,100</u>	<u>253,864,386</u>

**NET (after considering effect of reinsurance)**

**2015**

<i>Accident year</i>	<i>31 December 2010 and earlier SR</i>	<i>31 December 2011 SR</i>	<i>31 December 2012 SR</i>	<i>31 December 2013 SR</i>	<i>31 December 2014 SR</i>	<i>31 December 2015 SR</i>	<i>Total SR</i>
Estimate of cumulative claims							
At end of accident year	9,416,080	27,780,509	118,882,521	120,085,398	190,270,352	252,831,074	-
One year later	10,021,759	29,168,892	116,898,249	113,722,642	197,179,277	-	-
Two years later	8,997,730	28,144,906	120,285,227	120,220,720	-	-	-
Three years later	9,243,286	28,665,211	122,468,205	-	-	-	-
Four years later	9,247,819	28,651,306	-	-	-	-	-
Five years later	9,245,025	-	-	-	-	-	-
<b>Current estimate of cumulative claims incurred</b>	<b>9,245,025</b>	<b>28,651,306</b>	<b>122,468,205</b>	<b>120,220,720</b>	<b>197,179,277</b>	<b>252,831,074</b>	<b>730,595,607</b>
Cumulative payments to date	(8,515,542)	(27,241,395)	(118,200,546)	(112,014,179)	(172,696,276)	(149,594,311)	(588,262,249)
Total cumulative net outstanding claims recognised in statement of financial position	<u>729,483</u>	<u>1,409,911</u>	<u>4,267,659</u>	<u>8,206,541</u>	<u>24,483,001</u>	<u>103,236,763</u>	<u>142,333,358</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**12 PROPERTY AND EQUIPMENT, NET**

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

Leasehold improvements	6-7 years	Furniture, fixtures and office equipment	6-10 years
Computer equipment and software	4 years	Motor vehicles	4 years

	<i>Leasehold improvements</i> SR	<i>Furniture, fixtures and office equipment</i> SR	<i>Computer equipment and software</i> SR	<i>Motor vehicles</i> SR	<i>Total 2015</i> SR	<i>Total 2014</i> SR
<i>Cost:</i>						
Beginning balance	2,252,684	1,900,606	7,477,238	755,973	12,386,501	11,204,554
Additions during the year	9,750	185,837	407,486	-	603,073	1,220,726
Disposals during the year	-	(9,255)	(21,152)	(87,421)	(117,828)	(38,779)
	<u>2,262,434</u>	<u>2,077,188</u>	<u>7,863,572</u>	<u>668,552</u>	<u>12,871,746</u>	<u>12,386,501</u>
<i>Accumulated depreciation:</i>						
Beginning balance	1,445,738	844,737	6,636,509	300,661	9,227,645	7,905,537
Charge for the year (note 20)	344,244	226,938	486,997	167,123	1,225,302	1,358,588
Disposals during the year	-	(7,283)	(20,897)	(87,421)	(115,601)	(36,480)
	<u>1,789,982</u>	<u>1,064,392</u>	<u>7,102,609</u>	<u>380,363</u>	<u>10,337,346</u>	<u>9,227,645</u>
<i>Net book value:</i>						
<i>At 31 December 2015</i>	<u>472,452</u>	<u>1,012,796</u>	<u>760,963</u>	<u>288,189</u>	<u>2,534,400</u>	
<i>At 31 December 2014</i>	<u>806,946</u>	<u>1,055,869</u>	<u>840,729</u>	<u>455,312</u>		<u>3,158,856</u>

**13 INVESTMENTS**

**(i) Insurance operations (Available for sale)**

(a) Available for sale investments of insurance operations comprise the following:

	<i>Source of fair value</i>	<i>2015 SR</i>	<i>2014 SR</i>
Local "DPM" equity securities*	Quoted	22,506,571	14,946,280
Units in local investment funds	NAV**	12,673,574	-
Units in local real estate funds	NAV**	10,000,000	15,000,000
		<u>45,180,145</u>	<u>29,946,280</u>

\* Managed at the discretion of a locally regulated financial institution ("DPM").

\*\* NAV: Net Asset Value as announced by asset manager.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**13 INVESTMENTS (continued)**

(b) The movement during the year in available for sale investments are as follows:

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
At the beginning of the year	29,946,280	-
Purchased during the year	77,359,746	53,263,093
Sold during the year	(57,612,580)	(26,441,192)
	49,693,446	26,821,901
Change in fair values	(4,513,301)	3,124,379
At the end of the year	45,180,145	29,946,280

The change in fair value of this portfolio amounting to SR (6,065,854) (31 December 2014: SR (997,852)) is presented within 'insurance operations surplus' in the statement of financial position and the current year change in fair value has been reported in the statement of insurance comprehensive operations' under 'other comprehensive income (loss) to be reclassified subsequently to the income statement'.

*(i) Insurance operations (Held to maturity)*

(c) Held to Maturity ("HTM") investment amounting to SR Nil (31 December 2014 : SR 8,000,000) was comprised of secured unquoted Sukuk issued by an unquoted company registered in the Kingdom of Saudi Arabia matured on 7 October 2015. The rate of return on the Sukuk was calculated based on 3-month Saudi Inter-Bank Offered Rate ("SIBOR") plus a margin of 170 basis points per annum and paid quarterly.

*(ii) Shareholders operations (Available for sale)*

(a) Available for sale investments of shareholders operations comprise the following:

	<i>Source of fair value</i>	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
GCC bonds and sukuks	Quoted	23,828,379	23,803,130
Units in local investment funds	NAV**	31,309,702	21,898,163
Units in local real estate funds	NAV**	6,039,990	5,284,491
Unquoted local equity investment	Unquoted	1,923,078	1,923,078
		63,101,149	52,908,862

\*\* NAV: Net Asset Value as announced by asset manager.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**13 INVESTMENTS (continued)**

(b) The movement during the year in available for sale investments are as follows:

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
At the beginning of the year	52,908,862	56,381,037
Purchased during the year	33,772,937	5,460,792
Sold during the year	(23,792,155)	(11,405,322)
	<u>62,889,644</u>	<u>50,436,507</u>
Change in fair values	211,505	2,472,355
	<u>63,101,149</u>	<u>52,908,862</u>

The cumulative change in fair values of available for sale investments for the year ended 31 December 2015 amounting to SR 635,556 (31 December 2014: SR 1,053,628) is presented within shareholders' equity in the statement of financial position.

*(ii) Shareholders' operations (Held to maturity)*

- (c) Held to Maturity ("HTM") investment amounting to SR 5,000,000 (31 December 2014 : Nil) is comprised of senior unsecured quoted Sukuk issued by a quoted company registered in the Kingdom of Saudi Arabia and maturing on 16 September 2022. The rate of return on the Sukuk is calculated based on 6-month Saudi Arabian Inter-Bank Offered Rate ("SIBOR") plus a margin of 115 basis points per annum and paid semi-annually. The fair value of the HTM investment as at 31 December 2015 was not different from its carrying value.

*(ii) Shareholders' operations (Investment in associate)*

- (d) The Company together with an investor from a member nation of the Gulf Cooperative Council ("GCC member nation") established a new limited liability company (the "associate") in the Kingdom of Saudi Arabia. The GCC member owns 60% in the capital of the associate and the Company owns 40%. Additional legal formalities in respect of the operations of the associate are expected to be completed during 2016. The Company although has significant influence, it has accounted this investment as an associate as it does not control or jointly control the financial and operating policies of the associate.

*(iii) The analysis of total investments (insurance and shareholders' operations) by counterparties is as follows:*

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Government and quasi government	3,900,254	4,809,781
Banks and financial institutions	83,770,100	65,046,016
Corporates	26,810,940	20,999,345
Total	<u>114,481,294</u>	<u>90,855,142</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**13 INVESTMENTS (continued)**

(iv) *The credit quality of total investments (insurance and shareholders' operations) is as follows:*

	<u>2015</u> <u>SR</u>	<u>2014</u> <u>SR</u>
A- To A+	6,593,818	10,279,240
BBB- To BBB+	14,701,224	9,781,294
Unrated	93,186,252	70,794,608
Total	<u>114,481,294</u>	<u>90,855,142</u>

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

**14 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY**

The following table shows an analysis of financial instruments recorded at fair value (excludes HTM and investment in associate) by level of the fair value hierarchy:

	<u>Level 1</u> <u>SR</u>	<u>Level 2</u> <u>SR</u>	<u>Level 3</u> <u>SR</u>	<u>Total</u> <u>SR</u>
<b>2015</b>				
Bonds and sukuk	18,328,379	5,500,000	-	23,828,379
Investment and real estate funds	31,776,906	28,246,360	-	60,023,266
Equities	22,506,571	-	1,923,078	24,429,649
	<u>72,611,856</u>	<u>33,746,360</u>	<u>1,923,078</u>	<u>108,281,294</u>
<b>2014</b>				
Bonds and sukuk	18,303,130	5,500,000	-	23,803,130
Investment and real estate funds	-	42,182,654	-	42,182,654
Equities	14,946,280	-	1,923,078	16,869,358
	<u>33,249,410</u>	<u>47,682,654</u>	<u>1,923,078</u>	<u>82,855,142</u>

**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 2014 and 2015, 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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**15 REINSURANCE AND INSURANCE BALANCES PAYABLE**

	<u>2015</u> <u>SR</u>	<u>2014</u> <u>SR</u>
Brokers and salesmen commissions payable	7,497,071	6,650,748
Reinsurance balances payable	5,364,583	8,215,190
Payable to policyholders	2,232,389	1,828,037
Inspection and supervision fees payable	1,598,902	1,329,907
Surveyor's expenses payable	377,911	1,008,381
Other insurance payables	911,111	732,796
	<u>17,981,967</u>	<u>19,765,059</u>

**16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties of the Company include shareholders, Board of Directors, members of various committees of the Company and key management personnel.

a) *The following are the details of major related party transactions during the year:*

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>		<i>Balance as at</i>	
		<u>2015</u> <u>SR</u>	<u>2014</u> <u>SR</u>	<u>2015</u> <u>SR</u>	<u>2014</u> <u>SR</u>
Shareholders	Gross written premiums	25,803,749	26,387,985	8,917,928	11,837,570
	Reinsurance premium ceded	(431,716)	(615,410)	(325,252)	(42,442)
	Gross claims incurred	(15,225,157)	(14,748,938)	-	-
Board of Directors and committees' members	Remuneration fees, allowances and other expense	(1,615,500)	(1,570,000)	(1,599,260)	(1,317,760)
	Gross written premiums	20,117,528	16,531,079	2,917,717	2,625,320
	Insurance brokerage contracts	(4,822,854)	(5,236,637)	(1,506,061)	(1,529,676)

Balances in respect of the above transactions with related parties are included in the relevant accounts 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:

	<u>2015</u> <u>SR</u>	<u>2014</u> <u>SR</u>
Short-term benefits	2,897,400	2,845,560
End of service benefits	209,229	263,538
	<u>3,106,629</u>	<u>3,109,098</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**17 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2015</b>		<b>2014</b>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Third party claims payables	6,091,485		3,954,018	
Employees' related accruals and payables	4,272,369	-	4,359,625	-
Reinsurance accrual reserve	3,679,464	-	-	-
Minimum deposit premiums and commissions adjustments accruals	1,184,816	-	937,256	-
Professional fees accruals and payables	377,550	-	423,379	-
Provision for withholding taxes	166,354	-	285,288	-
Board of directors and committee's remuneration fees and expenses	-	2,619,260	-	2,427,760
Others	1,858,669	649,303	1,142,051	330,851
	<u>17,630,707</u>	<u>3,268,563</u>	<u>11,101,617</u>	<u>2,758,611</u>

**18 EMPLOYEES' END OF SERVICE BENEFITS**

	<b>2015</b>	<b>2014</b>
	<i>SR</i>	<i>SR</i>
Beginning balance	2,914,841	2,061,031
Charged during the year	1,031,339	996,153
Paid during the year	(120,231)	(142,343)
At the end of the year	<u>3,825,949</u>	<u>2,914,841</u>

**19 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2015</b>		<b>2014</b>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Employees' salaries and related costs	31,690,375	-	29,303,712	-
Office rent	3,438,427	-	3,374,237	-
Legal and professional fees	1,253,527	-	1,113,914	-
Depreciation (note 12)	1,225,302	-	1,358,588	-
Utilities and telecommunications	1,121,937	-	1,222,734	-
Stationery and office supplies	578,125	-	715,354	-
Information technology expenses	501,041	-	506,937	-
Investment expenses	402,656	202,938	1,364,214	253,215
Withholding taxes	175,952	-	796,437	-
Board of Directors and committees remuneration fees and expenses	-	1,615,500	-	1,570,000
Listing fees	-	273,918	-	220,000
Others	928,586	185,501	1,157,106	81,556
	<u>41,315,928</u>	<u>2,277,857</u>	<u>40,913,233</u>	<u>2,124,771</u>



**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**20 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.

As a result of increase in share capital, the Company's statutory deposit during the period increased to SR 25 million. The initial statutory deposit continues to be invested with a local bank as approved by SAMA. The Company has deposited the additional SR 12 million in the same bank account as instructed by SAMA.

Accrued interest on the initial statutory deposit amounting to SR 337,805 (31 December 2014: SR 243,810) has been included under statutory deposit and accrued expenses and other liabilities.

**21 SHARE CAPITAL**

The authorized, issued and paid up share capital of the Company is SR 250 Million divided into 25 million shares of SR 10 each (31 December 2014: SR 130 million divided into 13 million shares of SR 10 each).

The Company held an extraordinary general assembly of its shareholders on 1 April 2015 to approve the increase in the share capital through rights issue. Based on the approval received from shareholders at the extraordinary general assembly, the Company proceeded successfully in April 2015 to raise SAR 120 million through a rights issue. Under the terms of the rights issue, the Company offered 12,000,000 ordinary new shares by way of rights to qualifying shareholders at an offer price of SAR 10 per share at close of trading on the date of 1 April 2015 (the "Eligibility Date"). The rights were made on the ratio of one right for every 1.083 share held by shareholders as of the Eligibility Date. Right issue transaction costs incurred amounting to SR 4,769,014 was charged to the statement of changes in shareholders' equity.

**22 BASIC AND DILUTED EARNINGS PER SHARE - Restated**

Basic and diluted earnings per share for the year have been calculated by dividing the net income for the year by the weighted average number of outstanding shares at the year end.

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

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Issued ordinary shares as at 1 January	13,000,000	13,000,000
Adjusted rights issue	10,205,824	-
Effects of rights issue of shares	-	6,370,000
Weighted average number of ordinary shares	<u>23,205,824</u>	<u>19,370,000</u>

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 1.49, which is a ratio of the theoretical ex-rights of SR 21.33 and the closing price per share of 31.79 on 6 April 2015, the last day on which the shares were traded before the rights issue.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**22 BASIC AND DILUTED EARNINGS PER SHARE – Restated (continued)**

The basic and diluted earnings per share are as follows:

	2015 SR	2014 SR
Net income for the year	28,234,909	17,665,437
Weighted average number of ordinary shares	23,205,824	19,370,000
Basic and diluted earnings per share – restated	1.22	0.91

**23 ZAKAT**

*Zakat charge for the year is comprised of the following:*

	2015 SR	2014 SR
Current year charge	4,957,768	2,369,355
Prior year adjustments	-	64,708
	4,957,768	2,434,063

*Movement in provision during the year is set out below:*

	2015 SR	2014 SR
At the beginning of the year	9,733,588	7,364,263
Provided during the year	4,957,768	2,434,063
Payments during the year	-	(64,738)
At the end of the year	14,691,356	9,733,588

*The provision for the year is based on the following:*

	2015 SR	2014 SR
Shareholders' equity	165,757,120	71,271,026
Book value of long term assets and statutory deposit	(25,795,283)	(18,325,744)
Provisions	22,604,884	18,800,603
	162,566,721	71,745,885
Adjusted income for the year	35,743,995	23,028,311
Zakat base	198,310,716	94,774,196

# BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

### 23 ZAKAT (continued)

#### *Status of assessments*

The Company has filed its zakat returns for all the years ended up to 31 December 2014.

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 2014, 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 64,738. The Company paid this demand. The final assessment has not yet been carried out by the DZIT.

On review of the zakat return by the DZIT for the years 2011, 2012, 2013 and 2014 a demand of SR 2,378,604, SR 544,407, SR 2,885,577 and SR 2,885,577 respectively, have been raised by the DZIT. However, the Company has filed appeals with the DZIT. These appeals are in progress. The final assessments have not yet been carried out by the DZIT.

### 24 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 severity of claims*

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, general accidents, medical and marine classes. These classes of insurance except for long tail engineering policies are general regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**24 RISK MANAGEMENT (continued)**

**a) Insurance risk (continued)**

*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 policies 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. Besides coinsurance arrangements, the Company has reinsurance excess of loss cover to limit the losses for any individual claim to SR 500,000 (2014: 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. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SR 500,000 (2014: SR 500,000).

*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, Medical Malpractice 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. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SR 500,000 (2014: 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. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SR 500,000 (2014: 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. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SR 500,000 (2014: SR 500,000).

*Sensitivity analysis*

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the net claims ratio would impact income by approximately SR 25.5 million (2014: SR 19.8 million) annually in aggregate.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**24 RISK MANAGEMENT (continued)**

**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. Reinsurance program 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 SR 111.5 million (2014: 45.8 million).

**c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- 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 Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

The table below shows the maximum exposure to credit risk for the significant components of the statement of financial position.

	2015		2014	
	<i>Insurance' operations</i>	<i>Shareholders' operations</i>	<i>Insurance' operations</i>	<i>Shareholders' operations</i>
<b>Assets</b>				
Cash and cash equivalents	151,818,340	61,634,436	192,080,552	19,293,257
Time deposits	149,199,175	60,000,000	-	-
Premiums and reinsurance balances receivable, net	46,988,000	-	38,905,474	-
Investments	45,180,145	63,101,149	37,946,280	52,908,862
Reinsurers' share of outstanding claims	111,531,028	-	45,789,566	-
Other assets	3,426,309	690,728	2,071,200	1,493,164
	<u>508,142,997</u>	<u>185,426,313</u>	<u>316,793,072</u>	<u>73,695,283</u>

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**24 RISK MANAGEMENT (continued)**

**d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitment associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and the Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

*Maturity table*

The table below summarises the expected maturity profile of the financial assets and financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	31 December 2015					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
<b>ASSETS</b>						
Statutory deposit	-	-	-	-	25,337,805	25,337,805
Prepayments and other assets	7,779,981	3,213,798	10,993,779	690,728	-	690,728
Reinsurers' share of outstanding claims	111,531,028	-	111,531,028	-	-	-
Premiums and reinsurance balances receivable, net	46,988,000	-	46,988,000	-	-	-
Due from insurance operations	-	-	-	34,033,715	-	34,033,715
Available for sale investments	45,180,145	-	45,180,145	61,178,071	1,923,078	63,101,149
Time deposits	149,199,175	-	149,199,175	60,000,000	-	60,000,000
Cash and cash equivalents	151,818,340	-	151,818,340	61,634,436	-	61,634,436
<b>TOTAL ASSETS</b>	<b>512,496,669</b>	<b>3,213,798</b>	<b>515,710,467</b>	<b>217,536,950</b>	<b>27,260,883</b>	<b>244,797,833</b>

	31 December 2015					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
<b>LIABILITIES</b>						
Gross outstanding claims	253,864,386	-	253,864,386	-	-	-
Employees' end of service benefits	-	3,825,949	3,825,949	-	-	-
Reinsurance and insurance balances Payable	17,981,967	-	17,981,967	-	-	-
Zakat payable	-	-	-	14,691,356	-	14,691,356
Accrued expenses and other liabilities	17,630,707	-	17,630,707	3,268,563	-	3,268,563
Due to shareholders' operations	34,033,715	-	34,033,715	-	-	-
<b>TOTAL LIABILITIES</b>	<b>323,510,775</b>	<b>3,825,949</b>	<b>327,336,724</b>	<b>17,959,919</b>	<b>-</b>	<b>17,959,919</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**24 RISK MANAGEMENT (continued)**

**d) Liquidity risk (continued)**

	31 December 2014					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
<b>ASSETS</b>						
Statutory deposit	-	-	-	-	13,243,810	13,243,810
Prepayments and other assets	6,264,927	1,817,028	8,081,955	1,493,164	-	1,493,164
Reinsurers' share of outstanding claims	45,789,566	-	45,789,566	-	-	-
Premiums and reinsurance balances receivable, net	38,905,474	-	38,905,474	-	-	-
Due from shareholders' operations	-	-	-	15,543,197	-	15,543,197
Available for sale investments	29,946,280	-	29,946,280	50,985,784	1,923,078	52,908,862
Cash and cash equivalents	192,137,163	-	192,137,163	19,293,257	-	19,293,257
<b>TOTAL ASSETS</b>	<b>313,043,410</b>	<b>1,817,028</b>	<b>314,860,438</b>	<b>87,315,402</b>	<b>15,166,888</b>	<b>102,482,290</b>

	31 December 2014					
	Insurance operations			Shareholders' operations		
	Up to one year SR	No term SR	Total SR	Up to one year SR	No term SR	Total SR
<b>LIABILITIES</b>						
Gross outstanding claims	123,499,116	-	123,499,116	-	-	-
Employees' end of service benefits	-	2,914,841	2,914,841	-	-	-
Reinsurance and insurance balances Payable	19,765,059	-	19,765,059	-	-	-
Zakat payable	-	-	-	9,733,588	-	9,733,588
Accrued expenses and other liabilities	11,101,617	-	11,101,617	2,758,611	-	2,758,611
Due to shareholders' operations	15,543,197	-	15,543,197	-	-	-
<b>TOTAL LIABILITIES</b>	<b>169,908,989</b>	<b>2,914,841</b>	<b>172,823,830</b>	<b>12,492,199</b>	<b>-</b>	<b>12,492,199</b>

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investments securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

**e) 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 2015. The Company had a single floating rate HTM investment of SR 5,000,000 as at 31 December 2015 (2014: SR 8,000,000) and the impact of any commission rate changes on the net income of this investment is not expected to be significant.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**24 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) 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 locally quoted equities (see note 13), 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 1.87 million (2014: SR 0.92 million) and insurance operations' surplus (for investments held under insurance operations) by SR 1.76 million (2014: SR 0.75 million).

*h) Capital management*

The Company manages its capital to ensure that it is able to continue as going concern and comply with regulator'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 in the Kingdom of Saudi Arabia. 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, 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.



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**25 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, income on term deposits and available for sale investments, gain or loss on property, plant and equipment and investments. Accordingly, they are included in unallocated assets.

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 and insurance operations' surplus. Accordingly they are included in unallocated liabilities.

**Operating segments**

<i>For the year ended 31 December 2015</i>	<i>Motor SR</i>	<i>Medical SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Others SR</i>	<i>Total SR</i>
Gross written premiums	288,372,505	97,637,168	27,439,475	14,207,682	19,335,762	446,992,592
Reinsurance premiums ceded	(1,312,372)	-	(24,273,675)	(9,172,489)	(13,042,891)	(47,801,427)
Excess of loss premiums	(9,353,874)	(1,803,394)	(413,823)	(1,299,290)	(813,406)	(13,683,787)
<b>Net premiums written</b>	<b>277,706,259</b>	<b>95,833,774</b>	<b>2,751,977</b>	<b>3,735,903</b>	<b>5,479,465</b>	<b>385,507,378</b>
Movement in unearned premiums, net	(35,667,183)	(14,650,990)	(758,331)	174,519	(2,689,642)	(53,591,627)
<b>Net premiums earned</b>	<b>242,039,076</b>	<b>81,182,784</b>	<b>1,993,646</b>	<b>3,910,422</b>	<b>2,789,823</b>	<b>331,915,751</b>
Reinsurance commission income	107,117	11,475,642	3,611,062	6,152,566	3,592,237	24,938,624
Policy fees and other underwriting income	15,899,399	-	42,130	250,075	55,514	16,247,118
<b>Total revenues</b>	<b>258,045,592</b>	<b>92,658,426</b>	<b>5,646,838</b>	<b>10,313,063</b>	<b>6,437,574</b>	<b>373,101,493</b>
Net claims paid	(183,511,582)	(14,336,659)	(843,419)	(1,966,783)	(212,536)	(200,870,979)
Movement in outstanding claims, net	(62,874,164)	1,191,448	(844,959)	(590,194)	(1,505,939)	(64,623,808)
Movement in premium deficiency and other reserves	10,398,382	-	(22,029)	-	(43,392)	10,332,961
<b>Net claims incurred</b>	<b>(235,987,364)</b>	<b>(13,145,211)</b>	<b>(1,710,407)</b>	<b>(2,556,977)</b>	<b>(1,761,867)</b>	<b>(255,161,826)</b>
Policy acquisition costs	(20,690,922)	(8,746,418)	(2,557,834)	(1,035,227)	(1,619,862)	(34,650,263)
Inspection and supervision fees	(1,430,251)	(1,466,071)	(59,767)	(64,228)	(75,222)	(3,095,539)
TPA fees and other underwriting expenses	(1,123,983)	(4,674,706)	(43,153)	-	-	(5,841,842)
<b>Total underwriting costs</b>	<b>(259,232,520)</b>	<b>(28,032,406)</b>	<b>(4,371,161)</b>	<b>(3,656,432)</b>	<b>(3,456,951)</b>	<b>(298,749,470)</b>
<b>Net underwriting (deficit) surplus</b>	<b>(1,186,928)</b>	<b>64,626,020</b>	<b>1,275,677</b>	<b>6,656,631</b>	<b>2,980,623</b>	<b>74,352,023</b>
Unallocated expenses						(42,835,907)
Unallocated income						4,812,089
<b>Surplus from insurance operations</b>						<b>36,328,205</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**25 SEGMENT INFORMATION (continued)**

Operating segments

<i>For the year ended 31 December 2014</i>	<i>Motor SR</i>	<i>Medical SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Others SR</i>	<i>Total SR</i>
Gross written premiums	218,273,810	104,372,765	24,739,457	17,038,507	14,876,657	379,301,196
Reinsurance premiums ceded	(1,551,493)	(340)	(22,903,298)	(11,533,389)	(11,692,075)	(47,680,595)
Excess of loss premiums	(4,214,105)	(1,040,000)	(213,100)	(819,652)	(270,341)	(6,557,198)
Net premiums written	212,508,212	103,332,425	1,623,059	4,685,466	2,914,241	325,063,403
Movement in unearned premiums, net	(29,196,328)	(20,927,319)	(167,650)	(155,537)	(713,472)	(51,160,306)
Net premiums earned	183,311,884	82,405,106	1,455,409	4,529,929	2,200,769	273,903,097
Reinsurance commission income	98,620	-	4,345,093	5,850,844	3,361,939	13,656,496
Policy fees	9,323,645	-	33,525	233,475	27,055	9,617,700
Total revenues	192,734,149	82,405,106	5,834,027	10,614,248	5,589,763	297,177,293
Net claims paid	(147,458,355)	(8,397,318)	(560,066)	(456,330)	(281,349)	(157,153,418)
Movement in outstanding claims, net	(19,373,352)	(8,953,700)	(459,363)	(2,320,201)	(641,602)	(31,748,218)
Movement in premium deficiency and other reserves	(9,033,153)	-	-	-	-	(9,033,153)
Net claims incurred	(175,864,860)	(17,351,018)	(1,019,429)	(2,776,531)	(922,951)	(197,934,789)
Policy acquisition costs	(16,513,427)	(10,169,711)	(2,297,024)	(1,111,898)	(1,364,101)	(31,456,161)
Inspection and supervision fees	(1,080,155)	(1,565,712)	(58,666)	(76,471)	(58,042)	(2,839,046)
TPA fees and other underwriting expenses	(1,187,045)	(5,363,145)	(111,870)	-	-	(6,662,060)
Total underwriting costs	(194,645,487)	(34,449,586)	(3,486,989)	(3,964,900)	(2,345,094)	(238,892,056)
Net underwriting (deficit) surplus	(1,911,338)	47,955,520	2,347,038	6,649,348	3,244,669	58,285,237
Unallocated expenses						(42,003,776)
Unallocated income						6,231,091
Surplus from insurance operations						22,512,552

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
31 December 2015

**25 SEGMENT INFORMATION (continued)**

**Operating segments**

*As at 31 December 2015*

	<i>Motor SR</i>	<i>Medical SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>ASSETS</b>						
Reinsurers' share of unearned premiums	649,063	-	7,658,935	1,640,413	4,252,898	14,201,309
Reinsurers' share of outstanding claims	12,141,019	538,217	68,156,498	12,211,537	18,483,757	111,531,028
Deferred policy acquisition costs	9,766,162	6,135,266	696,742	212,286	965,503	17,775,959
<b>SEGMENT ASSETS</b>	<b>22,556,244</b>	<b>6,673,483</b>	<b>76,512,175</b>	<b>14,064,236</b>	<b>23,702,158</b>	<b>143,508,296</b>
Unallocated assets						406,713,839
<b>TOTAL ASSETS</b>						<b>550,222,135</b>
<b>LIABILITIES</b>						
Gross unearned premiums	132,515,827	63,280,239	8,985,950	2,638,513	8,325,665	215,746,194
Gross outstanding claims	128,489,067	14,007,978	71,023,150	18,231,917	22,112,274	253,864,386
Unearned reinsurance commission	48,696	-	1,321,877	592,496	1,122,449	3,085,518
Premium deficiency and other reserves	3,336,917	-	122,029	-	43,392	3,502,338
Accrued expenses and other liabilities	2,141,667	545,794	980,866	-	11,137	3,679,464
<b>SEGMENT LIABILITIES</b>	<b>266,532,174</b>	<b>77,834,011</b>	<b>82,433,872</b>	<b>21,462,926</b>	<b>31,614,917</b>	<b>479,877,900</b>
Unallocated liabilities						70,344,235
<b>TOTAL LIABILITIES</b>						<b>550,222,135</b>

**Operating segments**

*As at 31 December 2014*

	<i>Motor SR</i>	<i>Medical SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>ASSETS</b>						
Reinsurers' share of unearned premiums	765,039	-	7,183,872	2,436,998	5,063,711	15,449,620
Reinsurers' share of outstanding claims	6,342,893	1,089,788	14,275,261	11,689,226	12,392,398	45,789,566
Deferred policy acquisition costs	7,840,264	4,792,476	670,927	229,594	703,124	14,236,385
<b>SEGMENT ASSETS</b>	<b>14,948,196</b>	<b>5,882,264</b>	<b>22,130,060</b>	<b>14,355,818</b>	<b>18,159,233</b>	<b>75,475,571</b>
Unallocated assets						280,229,728
<b>TOTAL ASSETS</b>						<b>355,705,299</b>
<b>LIABILITIES</b>						
Gross unearned premiums	96,964,620	48,629,249	7,752,556	3,609,617	6,446,836	163,402,878
Gross outstanding claims	59,816,777	15,750,997	16,296,954	17,119,412	14,514,976	123,499,116
Unearned reinsurance commission	57,381	-	1,443,298	835,824	1,320,246	3,656,749
Premium deficiency and other reserves	13,735,299	-	100,000	-	-	13,835,299
<b>SEGMENT LIABILITIES</b>	<b>170,574,077</b>	<b>64,380,246</b>	<b>25,592,808</b>	<b>21,564,853</b>	<b>22,282,058</b>	<b>304,394,042</b>
Unallocated liabilities						51,311,257
<b>TOTAL LIABILITIES</b>						<b>355,705,299</b>

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2015

**26 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 3,507,280 payable during 2016 (2015: SR 3,219,680).

**27 COMPARATIVE FIGURES**

Captions and amounts under statements of insurance operations and shareholders' operations cash flows' for prior year have been amended and reclassified to conform to the presentation in the current year. The aggregate amounts under cash and cash equivalents remain unchanged.

**28 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 16 February 2016, corresponding to 7 Jumada Al-Awwal 1437H.