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

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

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
For The Three Months Period Ended 31 March 2020

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL INFORMATION

The Shareholders
Buruj Cooperative Insurance Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Buruj Cooperative Insurance Company (the "Company") as of 31st March 2020 and the related interim condensed statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement ("ISRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.
P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337



17 May 2020
24 Ramadan 1441

Aldar Audit Bureau
Abdullah Al Basri & Co
Riyadh 11451
Kingdom of Saudi Arabia

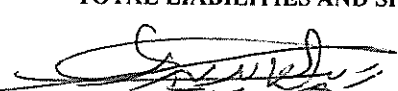
Abdullah M. Al Basri
Certified Public Accountant
License No. 171




BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|--|-------|-------------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 4 | 150,244,156 | 125,460,738 |
| Time deposits | 5 | 303,421,771 | 364,385,572 |
| Premiums and reinsurers' receivable, net | 6 | 56,849,179 | 49,101,466 |
| Reinsurers' share of unearned premiums | 10(b) | 14,756,303 | 19,851,794 |
| Reinsurers' share of outstanding claims | 10(a) | 47,725,480 | 48,964,213 |
| Reinsurers' share of claims incurred but not reported | 10(a) | 7,991,406 | 8,185,996 |
| Deferred policy acquisition costs | 10(d) | 6,442,964 | 5,958,543 |
| Deferred excess of loss premiums | | 5,723,696 | - |
| Investments | 7 | 224,176,607 | 227,769,945 |
| Prepaid expenses and other assets | | 20,653,108 | 22,663,557 |
| Right-of-use assets | 11 | 5,829,685 | 6,235,610 |
| Property, equipment and intangible assets, net | | 3,745,794 | 3,849,346 |
| Investment in associate | 8 | 743,242 | 302,011 |
| Statutory deposit | 15 | 31,838,010 | 31,206,937 |
| TOTAL ASSETS | | 880,141,401 | 913,935,728 |
| LIABILITIES | | | |
| Policyholders and accounts payables | | 31,205,475 | 27,474,519 |
| Reinsurers' balances payable | | 8,739,936 | 16,101,860 |
| Accrued expenses and other liabilities | | 27,150,872 | 23,277,565 |
| Lease liabilities | 11 | 5,360,821 | 5,980,823 |
| Unearned premiums | 10(b) | 118,941,358 | 122,112,912 |
| Unearned reinsurance commission | 10(c) | 1,617,857 | 1,803,595 |
| Outstanding claims | 10(a) | 160,656,412 | 159,642,538 |
| Claims incurred but not reported | 10(a) | 49,132,206 | 53,091,755 |
| Premium deficiency reserve | 10(a) | 20,565,392 | 18,326,242 |
| Other technical reserves | 10(a) | 5,103,465 | 5,201,569 |
| End-of-service benefits | | 13,384,004 | 12,953,970 |
| Zakat payable | 12 | 34,468,377 | 32,026,709 |
| Statutory deposit investment returns | 15 | 1,838,010 | 1,206,937 |
| TOTAL LIABILITIES | | 478,164,185 | 479,200,994 |
| INSURANCE OPERATIONS' SURPLUS | | | |
| Accumulated surplus | | 467,978 | 467,978 |
| Fair value reserve on available for sale investments | | (2,703,796) | (1,658,891) |
| Accumulated actuarial loss on end-of-service benefits | | (2,233,757) | (2,233,757) |
| TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS | | 473,694,610 | 475,776,324 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 13 | 300,000,000 | 300,000,000 |
| Statutory reserve | | 49,573,882 | 49,573,882 |
| Retained earnings | | 58,795,178 | 75,227,968 |
| Fair value reserve on available for sale investments | | (1,922,269) | 13,357,554 |
| TOTAL SHAREHOLDERS' EQUITY | | 406,446,791 | 438,159,404 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 880,141,401 | 913,935,728 |


Zain AlAbdeen Barry
Board Member

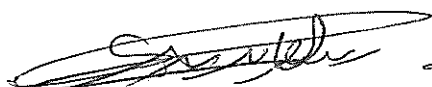

Samer Kanj
Chief Executive Officer

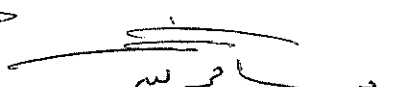

Samer Saad
Finance Manager


The accompanying notes 1 to 22 form part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

| | Notes | For the three months period ended | |
|---|-------|--|-------------------------------------|
| | | 31 March 2020 | 31 March 2019 – Restated |
| | | SAR | SAR |
| <u>REVENUES</u> | | | |
| Gross written premiums | 10(b) | 67,053,223 | 104,887,009 |
| Reinsurance premiums ceded | | (3,969,104) | (7,015,123) |
| Excess of loss premiums | | (3,479,620) | (1,279,427) |
| Net premiums written | | 59,604,499 | 96,592,459 |
| Changes in unearned premiums, net | | (1,923,937) | (25,163,481) |
| Net premiums earned | 10(b) | 57,680,562 | 71,428,978 |
| Reinsurance commissions | 10(c) | 3,776,704 | 2,702,468 |
| Policy fees and other underwriting income | | 565,269 | 517,231 |
| TOTAL REVENUES | | 62,022,535 | 74,648,677 |
| <u>UNDERWRITING COSTS</u> | | | |
| Gross claims paid | | (60,475,320) | (50,032,778) |
| Reinsurers' share of claims paid | | 5,244,812 | 2,272,680 |
| Net claims paid | | (55,230,508) | (47,760,098) |
| Changes in outstanding claims, net | | (2,252,607) | (1,670,034) |
| Changes in claims incurred but not reported, net | | 3,764,959 | 15,558,952 |
| Net claims incurred | | (53,718,156) | (33,871,180) |
| Changes in premium deficiency reserves | | (2,239,150) | (10,179,352) |
| Changes in other technical reserves | | 98,104 | 1,817,302 |
| Policy acquisition costs | 10(d) | (4,573,686) | (5,827,768) |
| Inspection and supervision fees | | (431,768) | (913,051) |
| Other underwriting expenses | | (1,752,167) | (2,444,073) |
| TOTAL UNDERWRITING COSTS | | (62,616,823) | (51,418,122) |
| NET UNDERWRITING (DEFICIT)/SURPLUS | | (594,288) | 23,230,555 |
| <u>OTHER OPERATING (EXPENSES)/INCOME</u> | | | |
| Reversal of doubtful debts provision | 6 | 211,973 | 2,109,434 |
| General and administrative expenses | | (15,003,464) | (16,648,100) |
| Commission income on time deposits and investments | | 3,795,693 | 5,228,360 |
| Dividend income | | 2,598,374 | 1,538,211 |
| Realized gain on investments | | 177,178 | 2,152,949 |
| Impairment of available for sale investments | | (7,126,797) | (181,316) |
| Share of profit from associate | 8 | 441,231 | 50,917 |
| Other income/(expense) | | 1,508,978 | (13,174) |
| TOTAL OTHER OPERATING EXPENSES, NET | | (13,396,834) | (5,762,719) |
| Total (loss)/income before surplus attribution and zakat | | (13,991,122) | 17,467,836 |
| Surplus attributable to the insurance operations | | - | (1,321,858) |
| (Loss)/income attributed to the shareholders before zakat | | (13,991,122) | 16,145,978 |
| Zakat charge | 12 | (2,441,668) | (3,128,550) |
| Net (loss)/income attributed to the shareholders after zakat | | (16,432,790) | 13,017,428 |
| (Loss)/earnings per share – Basic and diluted | 16 | (0.55) | 0.43 |


 Zain AlAbdeen Barry
 Board Member


 Samer Kanj
 Chief Executive Officer

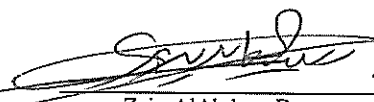

 Samer Saad
 Finance Manager

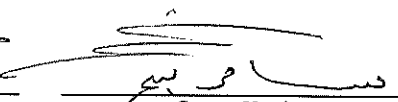
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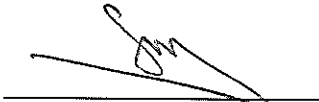
BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | For the three months period ended | |
|--|-----------------------------------|------------------------------------|
| | 31 March 2020 SAR | 31 March 2019 – Restated SAR |
| Total (loss)/ income for the period | (16,432,790) | 14,339,286 |
| Other comprehensive (loss)/income | | |
| <i>Items that will be reclassified to statements of income in subsequent periods</i> | | |
| Available for sale investments: | | |
| - Net realized gain transferred to statement of income | (177,178) | (2,152,949) |
| - Net change in fair value | (16,147,550) | 2,887,946 |
| | (16,324,728) | 734,997 |
| <u>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</u> | (32,757,518) | 15,074,283 |
| Total comprehensive (loss)/ income attributed to the insurance operations | (1,044,905) | 3,411,534 |
| Total comprehensive (loss)/ income for the period attributable to the shareholders | (31,712,613) | 11,662,749 |


Zain AlAbdeen Barry
Board Member


Samer Kanj
Chief Executive Officer

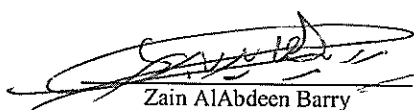

Samer Saad
Finance Manager

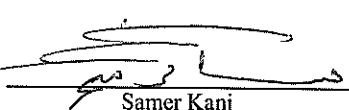
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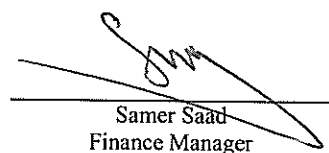
**BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

| | Share Capital SAR | Statutory Reserve SAR | Retained earnings SAR | Fair value reserve gain on investments SAR | Total SAR |
|--|-------------------------|-----------------------------|-----------------------------|---|--------------------|
| 2020 | | | | | |
| Balance as at 1 January 2020 (Audited) | 300,000,000 | 49,573,882 | 75,227,968 | 13,357,554 | 438,159,404 |
| <i>Total comprehensive loss for the period attributable to shareholders:</i> | | | | | |
| Net loss for the period attributable to shareholders | - | - | (16,432,790) | - | (16,432,790) |
| Changes in fair value of available for sale investments | - | - | - | (15,279,823) | (15,279,823) |
| Total comprehensive loss for the period attributable to shareholders | - | - | (16,432,790) | (15,279,823) | (31,712,613) |
| Balance as at 31 March 2020 (Unaudited) | 300,000,000 | 49,573,882 | 58,795,178 | (1,922,269) | 406,446,791 |
| 2019 | | | | | |
| Balance as at 1 January 2019 (Audited) | 250,000,000 | 48,707,396 | 151,762,026 | 3,075,294 | 453,544,716 |
| <i>Total comprehensive income for the period attributable to shareholders:</i> | | | | | |
| Net income for the period attributable to shareholders | - | - | 13,017,428 | - | 13,017,428 |
| Changes in fair value of available for sale investments | - | - | - | (1,354,679) | (1,354,679) |
| Total comprehensive income for the period attributable to shareholders | - | - | 13,017,428 | (1,354,679) | 11,662,749 |
| Bonus shares | 50,000,000 | - | (50,000,000) | - | - |
| Balance as at 31 March 2019 (Unaudited) | 300,000,000 | 48,707,396 | 114,779,454 | 1,720,615 | 465,207,465 |


Zain AlAbdeen Barry
Board Member

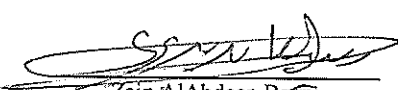

Samer Kanj
Chief Executive Officer


Samer Saad
Finance Manager

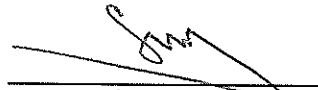
The accompanying notes 1 to 22 form part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

| | For the three months period ended | |
|---|--|--------------------|
| | 31 March 2020 | 31 March 2019 |
| Notes | SAR | SAR |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Total (loss)/income before zakat | (13,991,122) | 17,467,836 |
| <i>Adjustments for non-cash items:</i> | | |
| Depreciation of property and equipment | 392,732 | 359,593 |
| Loss on disposal of property and equipment | 36,399 | 13,174 |
| Reversal of doubtful debts provision | 6 (211,973) | (2,109,434) |
| Depreciation of right-of-use assets | 405,925 | 405,925 |
| Interest expense on lease liability | 50,140 | 33,919 |
| Share of profit of associate | 8 (441,231) | (50,917) |
| Provision for end-of-service indemnities | 473,699 | 461,949 |
| Realized gain from investments | (177,178) | (2,152,949) |
| Impairment of available for sale investments | 7,126,797 | 181,316 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Premiums and reinsurers' receivable | (7,535,740) | (11,415,730) |
| Reinsurers' share of unearned premiums | 5,095,491 | (133,952) |
| Reinsurers' share of outstanding claims | 1,238,733 | 1,256,688 |
| Reinsurers' share of claims incurred but not reported | 194,590 | 7,511,508 |
| Deferred policy acquisition costs | (484,421) | (2,024,916) |
| Deferred excess of loss premiums | (5,723,696) | (5,679,142) |
| Prepaid expenses and other assets | 2,010,449 | (5,242,543) |
| Right-of-use assets | - | (7,859,310) |
| Statutory deposit | - | (5,000,000) |
| Policyholders and accounts payables | 3,730,956 | 320,467 |
| Reinsurers' balances payable | (7,361,924) | 1,027,492 |
| Accrued expenses and other liabilities | 3,873,307 | 2,785,167 |
| Lease liabilities | (670,142) | 6,889,117 |
| Unearned premiums | (3,171,554) | 25,297,433 |
| Unearned reinsurance commission | (185,738) | 69,245 |
| Outstanding claims | 1,013,874 | 413,346 |
| Claims incurred but not reported | (3,959,549) | (23,070,460) |
| Premium deficiency reserves | 2,239,150 | 10,179,352 |
| Other technical reserves | (98,104) | (1,817,302) |
| | (16,130,130) | 8,116,872 |
| End-of-service indemnities paid | (43,665) | (132,109) |
| Net cash (used in)/generated from operating activities | (16,173,795) | 7,984,763 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Disposals/(additions) in time deposits | 5 60,963,801 | (12,319,020) |
| Additions in investments | 7(ii) (33,318,678) | (10,957,638) |
| Proceeds from available for sale investments | 7(ii) 13,637,669 | 30,084,721 |
| Additions in property, equipment and intangible assets | (329,579) | (159,428) |
| Proceeds from disposal of property, equipment and intangible assets | 4,000 | - |
| Net cash generated from investing activities | 40,957,213 | 6,648,635 |
| Net change in cash and cash equivalents | 24,783,418 | 14,633,398 |
| Cash and cash equivalents, beginning of the period | 125,460,738 | 223,534,759 |
| Cash and cash equivalents, end of the period | 4 150,244,156 | 238,168,157 |
| <i>Non-cash transactions:</i> | | |
| Change in fair value of available for sale investments | (16,324,728) | 734,997 |


Zain AlAbdeen Barry
Board Member


Samer Kanj
Chief Executive Officer


Samer Saad
Finance Manager

The accompanying notes 1 to 22 form part of these interim condensed financial statements.

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

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

31 March 2020

1 GENERAL

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 Authority ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is 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.

2 BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company for the period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants ("SOCPA"). The interim condensed financial statements of the Company for the three month period ended 31 March 2019 and the year ended 31 December 2018 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). As per Circular no. 2019/23099 dated 26 Shaban 1440H, (corresponding to 1 May 2019) SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The interim condensed financial statements have been prepared under the going concern basis and the historical cost basis except for the measurement at fair value of "available for sale investments", investment in associate which is accounted for under the equity method and employees end of service benefits at present value.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 19 have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR).

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Further, the Company has considered the following:

Impact of covid-19 on the medical technical reserves and financial assets

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews. This necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out a preliminary assessment on the overall Company's operations and business aspects including factors like dealing with customers and service providers, the health and safety of its employees and the wider community where it is operating, claims processing, collections protocol, travel restrictions, oil prices etc., concluded that, as of the reporting date of the interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainties, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving and the future remains uncertain, the management continue to assess the impact based on prospective developments.

Medical technical reserves

Notwithstanding these challenges, management believes that the technical reserves on medical line of business are likely to remain largely unaffected as the insurance industry has been facilitated by the Government through bearing all costs associated with Covid-19 virus. Moreover, there is a general decrease in trend in medical claims which are of routine nature. Based on these factors, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported insurance operations results for the quarter ended 31 March 2020. The Company's management continues to monitor the situation closely.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

2 BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

Other financial assets

The Company has performed an assessment in accordance with its accounting policy due to Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets are impaired. These include factors such as, significant financial difficulties of issuer or debtor, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities, the company has performed an assessment to determine whether there is a significant decline in the fair value of available for sale financial assets below their cost. Based on these assessments, the Company believes that the COVID-19 pandemic has had no material effects impact with respect to the factors mentioned above on Company's reported results for the quarter ended 31 March 2020. The Company's management continues to monitor the situation closely.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

Significant accounting policies

The significant accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

Change in the accounting for zakat and income tax

As mentioned above, the basis of preparation has been changed for the three month period ended 31 March 2019 as a result of the issuance of latest instructions from SAMA dated 1 May 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 1 May 2019, the zakat and income tax shall be recognized in the interim condensed statement of income.

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

New standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

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.

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 annual reporting periods beginning on or after 1 January 2018 with an optional temporary exception to defer the application of IFRS 9 till 1 January 2022 for companies whose activities are predominantly connected with insurance. In line with other insurance companies in the Kingdom of Saudi Arabia, the Company deferred the application of IFRS 9 till 1 January 2023 to match with the adoption of IFRS 17.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 in May 2017. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after 1 January 2023. Once effective, IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The Company is in the process of assessing the impact of IFRS 17.

4 CASH AND CASH EQUIVALENTS

| | 31 March 2020 (Unaudited) | | 31 December 2019 (Audited) | |
|---|-------------------------------------|---|-------------------------------------|---|
| | Insurance operations SAR | Shareholders' operations SAR | Insurance operations SAR | Shareholders' operations SAR |
| Bank balances and cash | 93,268,212 | 28,538,219 | 70,968,861 | 26,432,852 |
| Deposits maturing within 3 months from the acquisition date | 937,525 | 27,500,200 | - | 28,059,025 |
| | 94,205,737 | 56,038,419 | 70,968,861 | 54,491,877 |

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission income at an average rate of 1.0% per annum (2019: 2.50% per annum).

Both bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

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

5 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 3.13% per annum (2019: 3.71% per annum).

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

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6 PREMIUMS AND REINSURERS' RECEIVABLE, NET

(a) Premiums and reinsurers' receivables comprised of the following:

| | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|--|-------------------------------------|--------------------------------------|
| Premiums receivable | 57,800,155 | 53,440,694 |
| Less: Allowance for doubtful debts | <u>(12,890,120)</u> | <u>(13,597,655)</u> |
| | <u>44,910,035</u> | <u>39,843,039</u> |
| Reinsurers' receivable | 15,563,159 | 12,386,880 |
| Less: Allowance for doubtful debts | <u>(3,624,015)</u> | <u>(3,128,453)</u> |
| | <u>11,939,144</u> | <u>9,258,427</u> |
| Total premiums and reinsurers' receivable, net | <u>56,849,179</u> | <u>49,101,466</u> |

(b) The movement in allowance for doubtful policyholders' and reinsurance balances for the period/year is set out below:

| 31 March 2020 (Unaudited) | Policyholders SAR | Reinsurers' SAR | Total SAR |
|----------------------------------|----------------------|--------------------|--------------------|
| Opening balance | 13,597,655 | 3,128,453 | 16,726,108 |
| (Reversal)/charge for the period | <u>(707,535)</u> | <u>495,562</u> | <u>(211,973)</u> |
| Closing balance | <u>12,890,120</u> | <u>3,624,015</u> | <u>16,514,135</u> |
| | Policyholders SAR | Reinsurers' SAR | Total SAR |
| Opening balance | 18,829,813 | 2,614,881 | 21,444,694 |
| Reversal for the year | <u>(5,232,158)</u> | <u>513,572</u> | <u>(4,718,586)</u> |
| Closing balance | <u>13,597,655</u> | <u>3,128,453</u> | <u>16,726,108</u> |

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31 March 2020

7 INVESTMENTS

(i) Investments are classified as follows:

| | 31 March 2020 (Unaudited) | | 31 December 2019 (Audited) | |
|--------------------------|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Insurance Operations SAR | Shareholders' Operations SAR |
| Available for sale "AFS" | 47,160,575 | 167,016,032 | 30,561,376 | 187,208,569 |
| Held to maturity "HTM" | - | 10,000,000 | - | 10,000,000 |
| Total | 47,160,575 | 177,016,032 | 30,561,376 | 197,208,569 |

(a) Available for sale investments ("AFS") comprises the following:

| | 31 March 2020 (Unaudited) | | 31 December 2019 (Audited) | |
|---|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Insurance Operations SAR | Shareholders' Operations SAR |
| Quoted local equity securities | 20,797,275 | 10,697,582 | 22,948,576 | 12,507,123 |
| Units in local investment funds - (NAV)* | 26,363,300 | 78,911,389 | 7,612,800 | 72,090,307 |
| Quoted fixed income securities | - | 60,566,057 | - | 85,055,504 |
| Units in quoted local real estate funds | - | 14,917,926 | - | 15,632,557 |
| Unquoted local equity investment ** | - | 1,923,078 | - | 1,923,078 |
| Total available for sale investments | 47,160,575 | 167,016,032 | 30,561,376 | 187,208,569 |

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

** This represents the share in Najm for Insurance Services Company.

(b) Held to maturity ("HTM") comprises of domestic unquoted floating rate securities as follows:

| | 31 March 2020 (Unaudited) | | 31 December 2019 (Audited) | |
|---|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Insurance Operations SAR | Shareholders' Operations SAR |
| Sukuk "Almarai" – September 2022 | - | 5,000,000 | - | 5,000,000 |
| Sukuk "Sipchem" – June 2021 | - | 5,000,000 | - | 5,000,000 |
| Total held to maturity investments | - | 10,000,000 | - | 10,000,000 |

The fair value of the "HTM" investments as at 31 March 2020 was not different from its carrying value. There were no movement in held to maturity investments during the period.

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7 INVESTMENTS (continued)

(ii) The movement during the period/year in the investments is as follows:

| | 31 March 2020 (Unaudited) | | 31 December 2019 (Audited) | |
|--------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Insurance Operations SAR | Shareholders' Operations SAR |
| Opening balance | 30,561,376 | 197,208,569 | 31,161,180 | 153,290,968 |
| Purchases | 22,068,378 | 11,250,300 | 15,009,435 | 93,132,796 |
| Disposals | (2,987,013) | (10,650,656) | (17,380,043) | (62,303,629) |
| Impairment | (1,595,399) | (5,531,398) | (185,216) | - |
| | 48,047,342 | 192,276,815 | 28,605,356 | 184,120,135 |
| Changes in fair value of investments | (886,767) | (15,260,783) | 1,956,020 | 13,088,434 |
| Closing balance | 47,160,575 | 177,016,032 | 30,561,376 | 197,208,569 |

8 INVESTMENT IN ASSOCIATE

The Company's interest in associate, which is unquoted, is as follows along with summarized financial information:

Gulf Warranties Insurance Services (Limited liability Company)

| As of | Country of Incorporation | | | | | % Interest |
|-------------------|--------------------------|-----------|-------------|-----------|--------------|------------|
| | | Assets | Liabilities | Revenue | Loss | |
| December 31, 2019 | Saudi Arabia | 4,573,894 | 2,982,269 | 543,313 | (1,116,934)* | 40% |
| December 31, 2018 | Saudi Arabia | 5,496,699 | 3,922,303 | 1,200,138 | (541,792) | 40% |

Based on latest audited financial statements for the year ended 31 December 2019.

On 26 January 2020 an agreement was signed in which 60% ownership owned by Gulf Warranties – Bahrain was sold to Gulf Insurance Group K.S.C – Kuwait. The change in ownership previously obtained non-objection from the Saudi Arabian Monetary Authority ("SAMA") on 14 November 2019.

* On 6 February 2020, the Company and Gulf Insurance Group K.S.C issued a partner's resolution to bear proportionally each by its percentage of ownership the amount of SAR 1,134,163 of the associate's general and administrative expenses for the year 2019 before issuing the associate's year end financial statements for 2019, and thus the Company absorbed the amount of SAR 453,666 as 'other expenses' presented in the interim condensed statement of income for shareholders' operations.

| | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|------------------------|--------------------------------------|---------------------------------------|
| Opening balance | 302,011 | 570,292 |
| Share of profit/(loss) | 441,231 | (268,280) |
| Closing balance | 743,242 | 302,011 |

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31 March 2020

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the assets or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial information.

Determination of fair value and fair value hierarchy

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

- Level 1 - quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2 – quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 - valuation techniques for which any significant input is not based on observable market data.

| 31 March 2020 (Unaudited) | Level 1 SAR | Level 2 SAR | Level 3 SAR | Total SAR |
|------------------------------------|------------------------|------------------------|------------------------|----------------------|
| Available for sale | | | | |
| - Equities | 31,494,857 | - | 1,923,078 | 33,417,935 |
| - Fixed income securities | 60,566,057 | - | - | 60,566,057 |
| - Investment and real estate funds | 14,917,926 | 105,274,689 | - | 120,192,615 |
| Held to maturity | | | | |
| | - | - | 10,000,000 | 10,000,000 |
| | 106,978,840 | 105,274,689 | 11,923,078 | 224,176,607 |

31 December 2019 (Audited)

| | | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|
| Available for sale | | | | |
| - Equities | 35,455,699 | - | 1,923,078 | 37,378,777 |
| - Fixed income securities | 85,055,504 | - | - | 85,055,504 |
| - Investment and real estate funds | 15,632,557 | 79,703,107 | - | 95,335,664 |
| Held to maturity | | | | |
| | - | - | 10,000,000 | 10,000,000 |
| | 136,143,760 | 79,703,107 | 11,923,078 | 227,769,945 |

Transfers between levels

During the three month period ended 31 March 2020, 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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(UNAUDITED) (continued)

31 March 2020

10 TECHNICAL RESERVES

(a) NET OUTSTANDING CLAIMS AND RESERVES

| | 31 March 2020 (Unaudited) | 31 December 2019 (Audited) |
|--|------------------------------|-------------------------------|
| Gross outstanding claims | 160,656,412 | 159,642,538 |
| Less: Realizable value of salvage and subrogation | - | - |
| | 160,656,412 | 159,642,538 |
| Claims incurred but not reported | 49,132,206 | 53,091,755 |
| Premium deficiency reserve | 20,565,392 | 18,326,242 |
| Other technical reserves (Unallocated loss adjustment expense) | 5,103,465 | 5,201,569 |
| | 235,457,475 | 236,262,104 |
| Less: | | |
| Reinsurers' share of outstanding claims | (47,725,480) | (48,964,213) |
| Reinsurers' share of claims incurred but not reported | (7,991,406) | (8,185,996) |
| | (55,716,886) | (57,150,209) |
| Net outstanding claims and other reserves | 179,740,589 | 179,111,895 |

(b) MOVEMENT IN UNEARNED PREMIUMS

| | 31 March 2020 (Unaudited) | | | 31 December 2019 (Audited) | | |
|--|---------------------------|---------------------|--------------------|----------------------------|---------------------|--------------------|
| | Gross SAR | Reinsurance SAR | Net SAR | Gross SAR | Reinsurance SAR | Net SAR |
| Opening balance | 122,112,912 | (19,851,794) | 102,261,118 | 134,815,114 | (9,826,524) | 124,988,590 |
| Premiums written during the period/year | 67,053,223 | (7,448,724) | 59,604,499 | 305,540,939 | (58,207,330) | 247,333,609 |
| Premiums earned during the period/year | (70,224,777) | 12,544,215 | (57,680,562) | (318,243,141) | 48,182,060 | (270,061,081) |
| Closing balance | 118,941,358 | (14,756,303) | 104,185,055 | 122,112,912 | (19,851,794) | 102,261,118 |

(c) UNEARNED REINSURANCE COMMISSION

| | 31 March 2020 (Unaudited) | 31 December 2019 (Audited) |
|--|------------------------------|-------------------------------|
| Opening balance | SAR | SAR |
| Reinsurance commission received during the period/year | 1,803,595 | 1,593,290 |
| Reinsurance commission earned during the period/year | 3,590,966 | 8,958,747 |
| | (3,776,704) | (8,748,442) |
| Closing balance | 1,617,857 | 1,803,595 |

(d) MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS

| | 31 March 2020 (Unaudited) | 31 December 2019 (Audited) |
|----------------------------------|------------------------------|-------------------------------|
| Opening balance | SAR | SAR |
| Paid during the period/year | 5,958,543 | 9,251,289 |
| Amortised during the period/year | 5,058,107 | 18,972,301 |
| | (4,573,686) | (22,265,047) |
| Closing balance | 6,442,964 | 5,958,543 |

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(UNAUDITED) (continued)

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11 LEASES

Right-of-use assets depreciation charge and balance are as follows:

| | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|---------------------------------|--|---|
| Cost | | |
| Opening balance | 7,859,310 | - |
| Additions | - | 7,859,310 |
| Deletions | - | - |
| Closing balance | <u>7,859,310</u> | <u>7,859,310</u> |
| Accumulated Depreciation | | |
| Opening balance | 1,623,700 | - |
| Charge | 405,925 | 1,623,700 |
| Closing balance | <u>2,029,625</u> | <u>1,623,700</u> |
| Carrying Value | <u>5,829,685</u> | <u>6,235,610</u> |

Lease liabilities as at period/year end are as follows:

| | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|--|--|---|
| Non-current portion of lease liability | 3,805,556 | 4,416,108 |
| Current portion of lease liability | 1,555,266 | 1,564,715 |
| | <u>5,360,821</u> | <u>5,980,823</u> |

The total interest expense on lease liabilities recognized during the period ended 31 March 2020 is SAR 50,140 (31 March 2019: SAR 33,919).

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 3.17% per annum (2019: 3.17% per annum).

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12 ZAKAT PAYABLE

The movement in provision during the period/year is set out below:

| | 31 March 2020 (Unaudited) SAR | 31 December 2019 (Audited) SAR |
|-------------------------------------|--|---|
| At the beginning of the period/year | 32,026,709 | 29,839,668 |
| Provided for the period/year | 2,441,668 | 10,853,203 |
| Paid during the period/year | - | (8,666,162) |
| At the end of the period/year | 34,468,377 | 32,026,709 |

Status of assessments

The Company has filed zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2010 to 2018. The 2019 zakat return is yet to be filed.

On review of the zakat return by GAZT for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. During 2014, GAZT 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 SAR 64,738. The Company paid this demand. The final assessment has not yet been carried out by the GAZT.

On review of the zakat return by the GAZT for the year 2011, a demand of SAR 2,378,604 has been raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. On February 2019 GAZT revised its assessment of the zakat return to SAR 2,053,604 after taken into consideration the deduction of statutory deposit based on the decision of the Appeal Committee.

On review of the zakat return by the GAZT for the year 2012, a demand of SAR 1,979,521 has been raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. The final assessments have not yet been carried out by the GAZT.

On review of the zakat return by the GAZT for the years 2013 and 2014 an initial demand of SAR 2,885,577 and SAR 2,885,577 respectively, have been raised by the GAZT. However, the Company has filed appeals with the GAZT and these appeals are in progress. On 29 April 2020, the Company received GAZT revised assessment of the zakat return of 2014 for SAR 2,352,969. The Company paid this revised assessment.

No assessments have been received out yet from the GAZT for the years 2015 to 2018.

13 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 300 million at 31 March 2020 (31 December 2019: SAR 300 million) consisting of 30 million shares (31 December 2019: 30 million shares) of SAR 10 each.

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14 CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

Management, through various scenario analyses as required by the regulator, has proactively assessed the potential of the COVID-19 by performing stress testing for various variables like: gross premium growth, employee costs, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. Management has concluded that based on the preliminary stress testing performed the solvency of the Company can be reduced moderately if the current situation persists longer. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

15 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local 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 on the statutory deposit amounting to SR 1,838,010 (31 December 2019: SR 1,206,937) has been presented in the statement of financial position.

16 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings per share for the period has been calculated by dividing the net (loss)/ income for the period after zakat by the number of issued and outstanding shares (30 million shares) at the period end.

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17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

| <i>Related party</i> | <i>Nature of transactions</i> | <u>Transactions for the period ended</u> | | <u>Balance as at</u> | |
|--|---|--|--|--|---|
| | | <u>31 March 2020 (Unaudited) SAR</u> | <u>31 March 2019 (Unaudited) SAR</u> | <u>31 March 2020 (Unaudited) SAR</u> | <u>31 December 2019 (Audited) SAR</u> |
| Major Shareholders | Insurance premium written | 146,493 | 339,816 | 4,746,637 | 8,621,910 |
| | Claims paid | (3,071,292) | (247,793) | - | - |
| | Reinsurance premium ceded | (172,044) | (465,484) | (138,342) | (654,754) |
| Board of Directors and committees' members | Remuneration fees, allowances and other expense | (344,000) | (616,608) | (2,183,760) | (1,865,260) |
| | Insurance premium written | 13,981,245 | 14,127,089 | 17,017,419 | 7,432,800 |
| | Insurance brokerage contracts | (1,380,723) | (1,449,996) | (2,796,649) | (1,823,134) |
| Associate | General and administrative expenses | 353,665 | - | 490,973 | 844,638 |

Balances in respect of the above transactions with related parties are included in the relevant accounts in the interim condensed statements of financial position and statement of income.

Compensation of key management personnel

Key management personnel of the Company include five top executives including the Chief Executive Officer and Finance Manager. The summary of compensation of key management personnel for the period is as follows:

| | <u>31 March 2020 (Unaudited) SAR</u> | <u>31 March 2019 (Unaudited) SAR</u> |
|-------------------------|--|--|
| Short term benefits | 755,250 | 913,200 |
| End of service benefits | 51,462 | 47,778 |
| | <u>806,712</u> | <u>960,978</u> |

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18 INSURANCE OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, allowance for doubtful debts, income on term deposits and investments, gain or loss on property, plant and equipment and investments. Accordingly, they are included in unallocated expenses or income.

Segment assets do not include insurance operations' property and equipment, investments, prepayments and other assets, premiums and reinsurance balances receivable, cash and cash equivalents and time deposits. 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.

| For the three month period ended 31 March 2020 | Motor SAR | Medical SAR | Property & Casualty SAR | Total SAR |
|---|-------------------|-------------------|-------------------------------|-------------------|
| Gross Written Premiums | | | | |
| Individuals | 22,699,485 | - | 136,869 | 22,836,354 |
| Very small enterprises | 1,339,148 | 10,133,246 | 651,105 | 12,123,499 |
| Small enterprises | 2,222,205 | 78,836 | 1,640,939 | 3,941,980 |
| Medium sized enterprises | 2,683,140 | 24,631 | 2,055,268 | 4,763,039 |
| Large enterprises | 20,399,447 | 629 | 2,988,275 | 23,388,351 |
| Total gross written premiums | 49,343,425 | 10,237,342 | 7,472,456 | 67,053,223 |

| For the three month period ended 31 March 2019 | Motor SAR | Medical SAR | Property & Casualty SAR | Total SAR |
|---|-------------------|-------------------|-------------------------------|--------------------|
| Gross Written Premiums | | | | |
| Individuals | 27,371,537 | - | 228,618 | 27,600,155 |
| Very small enterprises | 1,547,398 | 38,581,469 | 487,659 | 40,616,526 |
| Small enterprises | 2,382,143 | 436,976 | 1,543,279 | 4,362,398 |
| Medium sized enterprises | 4,272,512 | 172,830 | 3,114,713 | 7,560,055 |
| Large enterprises | 19,449,931 | 16,630 | 5,281,314 | 24,747,875 |
| Total gross written premiums | 55,023,521 | 39,207,905 | 10,655,583 | 104,887,009 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

18 INSURANCE OPERATING SEGMENTS (continued)

| For the three month period ended 31 March 2020 (Unaudited) | Motor SAR | Medical SAR | Property & Casualty SAR | Total SAR |
|---|---------------------|---------------------|-------------------------------|---------------------|
| REVENUES | | | | |
| Gross written premiums | 49,343,425 | 10,237,342 | 7,472,456 | 67,053,223 |
| Reinsurance premiums ceded | | | | |
| - Local | - | - | (626,240) | (626,240) |
| - Foreign – Direct | - | - | (818,636) | (818,636) |
| - Foreign – Through local reinsurance broker | - | - | (2,524,228) | (2,524,228) |
| Excess of loss premiums | | | | |
| - Local | (160,319) | (45,000) | (342,813) | (548,132) |
| - Foreign – Through local reinsurance broker | (730,341) | (405,000) | (1,796,147) | (2,931,488) |
| Net premiums written | 48,452,765 | 9,787,342 | 1,364,392 | 59,604,499 |
| Change in unearned premiums, net | (12,566,447) | 10,661,941 | (19,431) | (1,923,937) |
| Net premiums earned | 35,886,318 | 20,449,283 | 1,344,961 | 57,680,562 |
| Reinsurance commissions | - | - | 3,776,704 | 3,776,704 |
| Policy fees and other underwriting income | 501,889 | - | 63,380 | 565,269 |
| TOTAL REVENUES | 36,388,207 | 20,449,283 | 5,185,045 | 62,022,535 |
| UNDERWRITING COSTS | | | | |
| Gross claims paid | (27,683,474) | (29,251,065) | (3,540,781) | (60,475,320) |
| Reinsurers' share of claims paid | - | 2,161,850 | 3,082,962 | 5,244,812 |
| Net claims paid | (27,683,474) | (27,089,215) | (457,819) | (55,230,508) |
| Changes in outstanding claims, net | (5,073,038) | 2,667,196 | 153,235 | (2,252,607) |
| Changes in IBNR, net | 3,110,860 | 203,398 | 450,701 | 3,764,959 |
| Net claims incurred | (29,645,652) | (24,218,621) | 146,117 | (53,718,156) |
| Changes in premium deficiency reserves | (3,103,204) | 1,112,635 | (248,581) | (2,239,150) |
| Changes in other technical reserves | 3,467 | 46,485 | 48,152 | 98,104 |
| Policy acquisition costs | (1,549,287) | (2,231,500) | (792,899) | (4,573,686) |
| Inspection and supervision fees | (245,916) | (153,335) | (32,517) | (431,768) |
| Other underwriting expenses | (355,032) | (1,299,165) | (97,970) | (1,752,167) |
| TOTAL UNDERWRITING COSTS | (34,895,624) | (26,743,501) | (977,698) | (62,616,823) |
| NET UNDERWRITING SURPLUS/ (DEFICIT) | 1,492,583 | (6,294,218) | 4,207,347 | (594,288) |
| Unallocated other operating expenses | | | | (14,361,297) |
| Unallocated investment income and other income | | | | 3,564,634 |
| DEFICIT FROM INSURANCE OPERATIONS | | | | (11,178,978) |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

18 INSURANCE OPERATING SEGMENTS (continued)

| For the three month period ended 31 March 2019 (Unaudited) | Motor SAR | Medical SAR | Property & Casualty SAR | Total SAR |
|---|---------------------|---------------------|-------------------------------|---------------------|
| REVENUES | | | | |
| Gross written premiums | 55,023,521 | 39,207,905 | 10,655,583 | 104,887,009 |
| Reinsurance premiums ceded | | | | |
| - Local | - | - | (545,127) | (545,127) |
| - Foreign – Direct | - | - | (3,442,254) | (3,442,254) |
| - Foreign – Through local reinsurance broker | - | - | (3,027,742) | (3,027,742) |
| Excess of loss premiums | | | | |
| - Local | 21,422 | (85,090) | (85,779) | (149,447) |
| - Foreign – Through local reinsurance broker | 167,098 | (765,809) | (531,269) | (1,129,980) |
| Net premiums written | 55,212,041 | 38,357,006 | 3,023,412 | 96,592,459 |
| Change in unearned premiums, net | (9,971,871) | (14,996,690) | (194,920) | (25,163,481) |
| Net premiums earned | 45,240,170 | 23,360,316 | 2,828,492 | 71,428,978 |
| Reinsurance commissions | - | - | 2,702,468 | 2,702,468 |
| Policy fees and other underwriting income | 440,461 | - | 76,770 | 517,231 |
| TOTAL REVENUES | 45,680,631 | 23,360,316 | 5,607,730 | 74,648,677 |
| UNDERWRITING COSTS | | | | |
| Gross claims paid | (33,241,046) | (15,508,764) | (1,282,968) | (50,032,778) |
| Reinsurers' share of claims paid | 1,022,688 | 683,721 | 566,271 | 2,272,680 |
| Net claims paid | (32,218,358) | (14,825,043) | (716,697) | (47,760,098) |
| Changes in outstanding claims, net | 3,182,370 | (4,523,238) | (329,166) | (1,670,034) |
| Changes in IBNR, net | 7,235,358 | 7,212,339 | 1,111,255 | 15,558,952 |
| Net claims incurred | (21,800,630) | (12,135,942) | 65,392 | (33,871,180) |
| Changes in premium deficiency reserves | - | (9,293,849) | (885,503) | (10,179,352) |
| Changes in other technical reserves | 212,293 | - | 1,605,009 | 1,817,302 |
| Policy acquisition costs | (2,800,967) | (2,369,936) | (656,865) | (5,827,768) |
| Inspection and supervision fees | (275,225) | (587,693) | (50,133) | (913,051) |
| Other underwriting expenses | (940,989) | (1,503,084) | - | (2,444,073) |
| TOTAL UNDERWRITING COSTS | (25,605,518) | (25,890,504) | 77,900 | (51,418,122) |
| NET UNDERWRITING SURPLUS/(DEFICIT) | 20,075,113 | (2,530,188) | 5,685,630 | 23,230,555 |
| Unallocated other operating expenses | | | | (13,529,882) |
| Unallocated investment income and other income | | | | 3,517,906 |
| SURPLUS FROM INSURANCE OPERATIONS | | | | 13,218,579 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

18 INSURANCE OPERATING SEGMENTS (continued)

| As at 31 March 2020 (Unaudited) | Motor SAR | Medical SAR | Property & Casualty SAR | Total Insurance Operations SAR |
|---|--------------------|-------------------|-------------------------------|---|
| Assets | | | | |
| Reinsurers' share of unearned premiums | - | - | 14,756,303 | 14,756,303 |
| Reinsurers' share of outstanding claims | 11,603,407 | 1,445,641 | 34,676,432 | 47,725,480 |
| Reinsurers' share of claims incurred but not reported | 2,065,931 | 204,798 | 5,720,677 | 7,991,406 |
| Deferred policy acquisition costs | 3,767,945 | 1,660,253 | 1,014,766 | 6,442,964 |
| Deferred excess of loss premiums | 2,671,979 | 1,350,000 | 1,701,717 | 5,723,696 |
| Total Segment assets | 20,109,262 | 4,660,692 | 57,869,895 | 82,639,849 |
| Unallocated assets | | | | 515,575,686 |
| Total insurance operations assets | | | | 598,215,535 |
| LIABILITIES | | | | |
| Unearned premiums | 77,431,873 | 19,816,777 | 21,692,708 | 118,941,358 |
| Unearned reinsurance commission | - | - | 1,617,857 | 1,617,857 |
| Outstanding claims | 99,860,903 | 16,729,896 | 44,065,613 | 160,656,412 |
| Claims incurred but not reported | 34,963,296 | 5,737,254 | 8,431,656 | 49,132,206 |
| Premium deficiency reserve | 13,515,676 | 6,801,135 | 248,581 | 20,565,392 |
| Other technical reserves | 3,534,034 | 294,977 | 1,274,454 | 5,103,465 |
| Total Segment liabilities | 229,305,782 | 49,380,039 | 77,330,869 | 356,016,690 |
| Unallocated liabilities | | | | 242,198,845 |
| Total insurance operations liabilities | | | | 598,215,535 |
| As at December 31, 2019 (Audited) | | | | |
| | Motor | Medical | Property & Casualty | Total Insurance Operations |
| ASSETS | | | | |
| Reinsurers' share of unearned premiums | - | - | 19,851,794 | 19,851,794 |
| Reinsurers' share of outstanding claims | 9,936,276 | 2,911,553 | 36,116,384 | 48,964,213 |
| Reinsurers' share of claims incurred but not reported | 2,404,394 | 157,223 | 5,624,379 | 8,185,996 |
| Deferred policy acquisition costs | 2,242,681 | 2,595,041 | 1,120,821 | 5,958,543 |
| Total Segment assets | 14,583,351 | 5,663,817 | 62,713,378 | 82,960,546 |
| Unallocated assets | | | | 530,901,621 |
| Total insurance operations assets | | | | 613,862,167 |
| LIABILITIES | | | | |
| Unearned premiums | 64,865,426 | 30,478,718 | 26,768,768 | 122,112,912 |
| Unearned reinsurance commission | - | - | 1,803,595 | 1,803,595 |
| Outstanding claims | 93,120,734 | 20,863,004 | 45,658,800 | 159,642,538 |
| Claims incurred but not reported | 38,412,619 | 5,893,077 | 8,786,059 | 53,091,755 |
| Premium deficiency reserve | 10,412,472 | 7,913,770 | - | 18,326,242 |
| Other technical reserves | 3,537,501 | 341,462 | 1,322,606 | 5,201,569 |
| Total Segment liabilities | 210,348,752 | 65,490,031 | 84,339,828 | 360,178,611 |
| Unallocated liabilities | | | | 253,683,556 |
| Total insurance operations liabilities | | | | 613,862,167 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

19 SUPPLEMENTARY INFORMATION

Interim Condensed Statement of Financial Position

As at 31 March 2020 (Unaudited)

| | Insurance operations | Shareholders' operations | Total |
|--|-------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | 94,205,737 | 56,038,419 | 150,244,156 |
| Time deposits | 289,358,896 | 14,062,875 | 303,421,771 |
| Premiums and reinsurers' receivable, net | 56,849,179 | - | 56,849,179 |
| Reinsurers' share of unearned premiums | 14,756,303 | - | 14,756,303 |
| Reinsurers' share of outstanding claims | 47,725,480 | - | 47,725,480 |
| Reinsurers' share of claims incurred but not reported | 7,991,406 | - | 7,991,406 |
| Deferred policy acquisition costs | 6,442,964 | - | 6,442,964 |
| Deferred excess of loss premiums | 5,723,696 | - | 5,723,696 |
| Investments | 47,160,575 | 177,016,032 | 224,176,607 |
| Due from insurance operations | - | 163,253,494 | 163,253,494 |
| Prepaid expenses and other assets | 18,425,820 | 2,227,288 | 20,653,108 |
| Right-of-use assets | 5,829,685 | - | 5,829,685 |
| Property, equipment and intangible assets, net | 3,745,794 | - | 3,745,794 |
| Investment in associate | - | 743,242 | 743,242 |
| Statutory deposit | - | 31,838,010 | 31,838,010 |
| TOTAL ASSETS | 598,215,535 | 445,179,360 | 1,043,394,895 |
| LIABILITIES | | | |
| Policyholders and accounts payables | 31,205,475 | - | 31,205,475 |
| Reinsurers' balances payable | 8,739,936 | - | 8,739,936 |
| Accrued expenses and other liabilities | 24,724,690 | 2,426,182 | 27,150,872 |
| Lease liabilities | 5,360,821 | - | 5,360,821 |
| Unearned premiums | 118,941,358 | - | 118,941,358 |
| Unearned reinsurance commission | 1,617,857 | - | 1,617,857 |
| Outstanding claims | 160,656,412 | - | 160,656,412 |
| Claims incurred but not reported | 49,132,206 | - | 49,132,206 |
| Premium deficiency reserve | 20,565,392 | - | 20,565,392 |
| Other technical reserves | 5,103,465 | - | 5,103,465 |
| Due to shareholders' operations | 163,253,494 | - | 163,253,494 |
| End-of-service benefits | 13,384,004 | - | 13,384,004 |
| Zakat payable | - | 34,468,377 | 34,468,377 |
| Statutory deposit investment returns | - | 1,838,010 | 1,838,010 |
| TOTAL LIABILITIES | 602,685,110 | 38,732,569 | 641,417,679 |
| INSURANCE OPERATIONS' SURPLUS | | | |
| Accumulated surplus | 467,978 | - | 467,978 |
| Fair value reserve on available for sale investments | (2,703,796) | - | (2,703,796) |
| Accumulated actuarial loss on end-of-service benefits | (2,233,757) | - | (2,233,757) |
| TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS | 598,215,535 | 38,732,569 | 636,948,104 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | - | 300,000,000 | 300,000,000 |
| Statutory reserve | - | 49,573,882 | 49,573,882 |
| Retained earnings | - | 58,795,178 | 58,795,178 |
| Fair value reserve on available for sale investments | - | (1,922,269) | (1,922,269) |
| TOTAL SHAREHOLDERS' EQUITY | - | 406,446,791 | 406,446,791 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 598,215,535 | 445,179,360 | 1,043,394,895 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2020

19 SUPPLEMENTARY INFORMATION (continued)

Statement of Financial Position

As at 31 December 2019 (Audited)

| | Insurance operations | Shareholders' operations | Total |
|--|----------------------|--------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | 70,968,861 | 54,491,877 | 125,460,738 |
| Time deposits | 350,322,697 | 14,062,875 | 364,385,572 |
| Premiums and reinsurers' receivable, net | 49,101,466 | - | 49,101,466 |
| Reinsurers' share of unearned premiums | 19,851,794 | - | 19,851,794 |
| Reinsurers' share of outstanding claims | 48,964,213 | - | 48,964,213 |
| Reinsurers' share of claims incurred but not reported | 8,185,996 | - | 8,185,996 |
| Deferred policy acquisition costs | 5,958,543 | - | 5,958,543 |
| Investments | 30,561,376 | 197,208,569 | 227,769,945 |
| Due from insurance operations | - | 174,020,104 | 174,020,104 |
| Prepaid expenses and other assets | 19,862,265 | 2,801,292 | 22,663,557 |
| Right-of-use assets | 6,235,610 | - | 6,235,610 |
| Property, equipment and intangible assets, net | 3,849,346 | - | 3,849,346 |
| Investment in associate | - | 302,011 | 302,011 |
| Statutory deposit | - | 31,206,937 | 31,206,937 |
| TOTAL ASSETS | 613,862,167 | 474,093,665 | 1,087,955,832 |
| LIABILITIES | | | |
| Policyholders and accounts payables | 27,474,519 | - | 27,474,519 |
| Reinsurers' balances payable | 16,101,860 | - | 16,101,860 |
| Accrued expenses and other liabilities | 20,576,950 | 2,700,615 | 23,277,565 |
| Lease liabilities | 5,980,823 | - | 5,980,823 |
| Unearned premiums | 122,112,912 | - | 122,112,912 |
| Unearned reinsurance commission | 1,803,595 | - | 1,803,595 |
| Outstanding claims | 159,642,538 | - | 159,642,538 |
| Claims incurred but not reported | 53,091,755 | - | 53,091,755 |
| Premium deficiency reserve | 18,326,242 | - | 18,326,242 |
| Other technical reserves | 5,201,569 | - | 5,201,569 |
| Due to shareholders' operations | 174,020,104 | - | 174,020,104 |
| End-of-service benefits | 12,953,970 | - | 12,953,970 |
| Zakat payable | - | 32,026,709 | 32,026,709 |
| Statutory deposit investment returns | - | 1,206,937 | 1,206,937 |
| TOTAL LIABILITIES | 617,286,837 | 35,934,261 | 653,221,098 |
| INSURANCE OPERATIONS' SURPLUS | | | |
| Accumulated surplus | 467,978 | - | 467,978 |
| Fair value reserve on available for sale investments | (1,658,891) | - | (1,658,891) |
| Accumulated actuarial loss on end-of-service benefits | (2,233,757) | - | (2,233,757) |
| TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS | 613,862,167 | 35,934,261 | 649,796,428 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | - | 300,000,000 | 300,000,000 |
| Statutory reserve | - | 49,573,882 | 49,573,882 |
| Retained earnings | - | 75,227,968 | 75,227,968 |
| Fair value reserve on available for sale investments | - | 13,357,554 | 13,357,554 |
| TOTAL SHAREHOLDERS' EQUITY | - | 438,159,404 | 438,159,404 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 613,862,167 | 474,093,665 | 1,087,955,832 |

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2020

19 SUPPLEMENTARY INFORMATION (continued)

| Interim Condensed Statement of Income | For the three month period ended 31 March 2020 | | |
|--|--|------------------------------------|---------------------|
| | (Unaudited) | | |
| | Insurance Operations SAR | Shareholders' Operations SAR | Total SAR |
| REVENUES | | | |
| Gross written premiums | 67,053,223 | - | 67,053,223 |
| Reinsurance premiums ceded | (3,969,104) | - | (3,969,104) |
| Excess of loss premiums | (3,479,620) | - | (3,479,620) |
| Net premiums written | 59,604,499 | - | 59,604,499 |
| Changes in unearned premiums, net | (1,923,937) | - | (1,923,937) |
| Net premiums earned | 57,680,562 | - | 57,680,562 |
| Reinsurance commissions | 3,776,704 | - | 3,776,704 |
| Policy fees and other underwriting income | 565,269 | - | 565,269 |
| TOTAL REVENUES | 62,022,535 | - | 62,022,535 |
| UNDERWRITING COSTS | | | |
| Gross claims paid | (60,475,320) | - | (60,475,320) |
| Reinsurers' share of claims paid | 5,244,812 | - | 5,244,812 |
| Net claims paid | (55,230,508) | - | (55,230,508) |
| Changes in outstanding claims, net | (2,252,607) | - | (2,252,607) |
| Changes in claims incurred but not reported, net | 3,764,959 | - | 3,764,959 |
| Net claims incurred | (53,718,156) | - | (53,718,156) |
| Changes in premium deficiency reserves | (2,239,150) | - | (2,239,150) |
| Changes in other technical reserves | 98,104 | - | 98,104 |
| Policy acquisition costs | (4,573,686) | - | (4,573,686) |
| Inspection and supervision fees | (431,768) | - | (431,768) |
| Other underwriting expenses | (1,752,167) | - | (1,752,167) |
| TOTAL UNDERWRITING COSTS | (62,616,823) | - | (62,616,823) |
| NET UNDERWRITING DEFICIT | (594,288) | - | (594,288) |
| OTHER OPERATING (EXPENSES)/INCOME | | | |
| Reversal of doubtful debts provision | 211,973 | - | 211,973 |
| General and administrative expenses | (14,361,297) | (642,167) | (15,003,464) |
| Commission income on deposits and investments | 2,568,198 | 1,227,495 | 3,795,693 |
| Dividend income | 471,053 | 2,127,321 | 2,598,374 |
| Realized gain on investments | 158,138 | 19,040 | 177,178 |
| Impairment of available for sale investments | (1,595,399) | (5,531,398) | (7,126,797) |
| Share of profit of associate | - | 441,231 | 441,231 |
| Other income/(expense) | 1,962,644 | (453,666) | 1,508,978 |
| TOTAL OTHER OPERATING EXPENSES | (10,584,690) | (2,812,144) | (13,396,834) |
| Total loss before surplus attribution and zakat | (11,178,978) | (2,812,144) | (13,991,122) |
| Deficit attributable to shareholders | 11,178,978 | (11,178,978) | - |
| Net loss before zakat | - | (13,991,122) | (13,991,122) |
| Zakat charge | - | (2,441,668) | (2,441,668) |
| Net loss after zakat | - | (16,432,790) | (16,432,790) |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2020

19 SUPPLEMENTARY INFORMATION (continued)

| Interim Condensed Statement of Income | For the three month period ended 31 March 2019 – Restated (Unaudited) | | |
|---|--|------------------------------------|---------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Total SAR |
| REVENUES | | | |
| Gross written premiums | 104,887,009 | - | 104,887,009 |
| Reinsurance premiums ceded | (7,015,123) | - | (7,015,123) |
| Excess of loss premiums | (1,279,427) | - | (1,279,427) |
| Net premiums written | 96,592,459 | - | 96,592,459 |
| Changes in unearned premiums, net | (25,163,481) | - | (25,163,481) |
| Net premiums earned | 71,428,978 | - | 71,428,978 |
| Reinsurance commissions | 2,702,468 | - | 2,702,468 |
| Policy fees and other underwriting income | 517,231 | - | 517,231 |
| TOTAL REVENUES | 74,648,677 | - | 74,648,677 |
| UNDERWRITING COSTS | | | |
| Gross claims paid | (50,032,778) | - | (50,032,778) |
| Reinsurers' share of claims paid | 2,272,680 | - | 2,272,680 |
| Net claims paid | (47,760,098) | - | (47,760,098) |
| Changes in outstanding claims, net | (1,670,034) | - | (1,670,034) |
| Changes in claims incurred but not reported, net | 15,558,952 | - | 15,558,952 |
| Net claims incurred | (33,871,180) | - | (33,871,180) |
| Changes in premium deficiency reserves | (10,179,352) | - | (10,179,352) |
| Changes in other technical reserves | 1,817,302 | - | 1,817,302 |
| Policy acquisition costs | (5,827,768) | - | (5,827,768) |
| Inspection and supervision fees | (913,051) | - | (913,051) |
| Other underwriting expenses | (2,444,073) | - | (2,444,073) |
| TOTAL UNDERWRITING COSTS | (51,418,122) | - | (51,418,122) |
| NET UNDERWRITING SURPLUS | 23,230,555 | - | 23,230,555 |
| OTHER OPERATING (EXPENSES)/INCOME | | | |
| Reversal of doubtful debts provision | 2,109,434 | - | 2,109,434 |
| General and administrative expenses | (15,626,142) | (1,021,958) | (16,648,100) |
| Commission income on deposits and investments | 3,230,710 | 1,997,650 | 5,228,360 |
| Dividend income | 214,803 | 1,323,408 | 1,538,211 |
| Realized gain on investments | 253,709 | 1,899,240 | 2,152,949 |
| Impairment of available for sale investments | (181,316) | - | (181,316) |
| Share of profit of associate | - | 50,917 | 50,917 |
| Other expenses | (13,174) | - | (13,174) |
| TOTAL OTHER OPERATING (EXPENSES)/INCOME | (10,011,976) | 4,249,257 | (5,762,719) |
| Total income before surplus attribution and zakat | 13,218,579 | 4,249,257 | 17,467,836 |
| Surplus attributable to shareholders | (11,896,721) | 11,896,721 | - |
| Net income before zakat | 1,321,858 | 16,145,978 | 17,467,836 |
| Zakat charge | - | (3,128,550) | (3,128,550) |
| Net income after zakat | 1,321,858 | 13,017,428 | 14,339,286 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2020

19 SUPPLEMENTARY INFORMATION (continued)

| Interim Condensed Statement of Comprehensive Income | For the three month period ended 31 March 2020 (Unaudited) | | |
|--|---|------------------------------------|---------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Total SAR |
| | Net loss for the period | - | (16,432,790) |
| Other comprehensive loss | | | |
| <i>Items that will be reclassified to statements of income in subsequent periods</i> | | | |
| Available for sale investments: | | | |
| - Net realized gain transferred to statement of income | (158,138) | (19,040) | (177,178) |
| - Net change in fair value | (886,767) | (15,260,783) | (16,147,550) |
| | (1,044,905) | (15,279,823) | (16,324,728) |
| Total comprehensive loss for the period | (1,044,905) | (31,712,613) | (32,757,518) |

| Interim Condensed Statement of Comprehensive Income | For the three month period ended 31 March 2019 – Restated (Unaudited) | | |
|--|--|------------------------------------|-------------------|
| | Insurance Operations SAR | Shareholders' Operations SAR | Total SAR |
| | Net income for the period | 1,321,858 | 13,017,428 |
| Other comprehensive income/(loss) | | | |
| <i>Items that will be reclassified to statements of income in subsequent periods</i> | | | |
| Available for sale investments: | | | |
| - Net realized gain transferred to statement of income | (253,709) | (1,899,240) | (2,152,949) |
| - Net change in fair value | 2,343,385 | 544,561 | 2,887,946 |
| | 2,089,676 | (1,354,679) | 734,997 |
| Total comprehensive income for the period | 3,411,534 | 11,662,749 | 15,074,283 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
31 March 2020

19 SUPPLEMENTARY INFORMATION (continued)

| Interim Condensed Statement of Cash Flows | For the three month period ended 31 March 2020 (Unaudited) | | |
|--|---|-----------------------------|--------------|
| | Insurance operations | Shareholders' operations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before zakat | - | (13,991,122) | (13,991,122) |
| <i>Adjustments for non-cash items:</i> | | | |
| Deficit attributable to the shareholders | (11,178,978) | 11,178,978 | - |
| Depreciation of property and equipment | 392,732 | - | 392,732 |
| Loss on disposal of property and equipment | 36,399 | - | 36,399 |
| Reversal of doubtful debts provision | (211,973) | - | (211,973) |
| Right-of-use depreciation | 405,925 | - | 405,925 |
| Interest expense on lease liability | 50,140 | - | 50,140 |
| Share of profit of associate | - | (441,231) | (441,231) |
| Provision for end-of-service indemnities | 473,699 | - | 473,699 |
| Realized gain from investments | (158,138) | (19,040) | (177,178) |
| Impairment of available for sale investments | 1,595,399 | 5,531,398 | 7,126,797 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Premiums and reinsurers' receivable | (7,535,740) | - | (7,535,740) |
| Reinsurers' share of unearned premiums | 5,095,491 | - | 5,095,491 |
| Reinsurers' share of outstanding claims | 1,238,733 | - | 1,238,733 |
| Reinsurers' share of claims incurred but not reported | 194,590 | - | 194,590 |
| Deferred policy acquisition costs | (484,421) | - | (484,421) |
| Deferred excess of loss premiums | (5,723,696) | - | (5,723,696) |
| Prepaid expenses and other assets | 1,436,445 | 574,004 | 2,010,449 |
| Policyholders and accounts payables | 3,730,956 | - | 3,730,956 |
| Reinsurers' balances payable | (7,361,924) | - | (7,361,924) |
| Accrued expenses and other liabilities | 4,147,740 | (274,433) | 3,873,307 |
| Lease liabilities | (670,142) | - | (670,142) |
| Unearned premiums | (3,171,554) | - | (3,171,554) |
| Unearned reinsurance commission | (185,738) | - | (185,738) |
| Outstanding claims | 1,013,874 | - | 1,013,874 |
| Claims incurred but not reported | (3,959,549) | - | (3,959,549) |
| Premium deficiency reserve | 2,239,150 | - | 2,239,150 |
| Other technical reserves | (98,104) | - | (98,104) |
| End-of-service indemnities paid | (18,688,684) | 2,558,554 | (16,130,130) |
| Net cash (used in)/generated from operating activities | (18,732,349) | 2,558,554 | (16,173,795) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Disposals in time deposits | 60,963,801 | - | 60,963,801 |
| Additions in investments | (22,068,378) | (11,250,300) | (33,318,678) |
| Proceeds from available for sale investments | 2,987,013 | 10,650,656 | 13,637,669 |
| Additions/disposals in property and equipment | (329,579) | - | (329,579) |
| Proceeds from disposal of property and equipment | 4,000 | - | 4,000 |
| Net cash generated from/(used in) investing activities | 41,556,857 | (599,644) | 40,957,213 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Due to shareholders' operations | 412,368 | (412,368) | - |
| Net cash generated from/(used in) financing activities | 412,368 | (412,368) | - |
| Net change in cash and cash equivalents | 23,236,876 | 1,546,542 | 24,783,418 |
| Cash and cash equivalents, beginning of the period | 70,968,861 | 54,491,877 | 125,460,738 |
| Cash and cash equivalents, end of the period | 94,205,737 | 56,038,419 | 150,244,156 |
| <i>Non-cash transactions:</i> | | | |
| Change in fair value of available for sale investments | (1,044,905) | (15,279,823) | (16,324,728) |

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19 SUPPLEMENTARY INFORMATION (continued)

| Interim Condensed Statement of Cash Flows | For the three month period ended 31 March 2019 (Unaudited) | | |
|--|--|--------------------------|--------------|
| | Insurance operations | Shareholders' operations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before zakat | 1,321,858 | 16,145,978 | 17,467,836 |
| <i>Adjustments for non-cash items:</i> | | | |
| Surplus attributable to the shareholders | | | |
| Depreciation of property and equipment | 11,896,721 | (11,896,721) | - |
| Loss on disposal of property and equipment | 359,593 | - | 359,593 |
| Reversal of doubtful debts provision | 13,174 | - | 13,174 |
| Right-of-use depreciation | (2,109,434) | - | (2,109,434) |
| Interest expense on lease liability | 405,925 | - | 405,925 |
| Share of profit of associate | 33,919 | - | 33,919 |
| Provision for end-of-service indemnities | - | (50,917) | (50,917) |
| Realized gain from investments | 461,949 | - | 461,949 |
| Impairment of available for sale investments | (253,709) | (1,899,240) | (2,152,949) |
| | 181,316 | - | 181,316 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Premiums and reinsurers' receivable | (11,415,730) | - | (11,415,730) |
| Reinsurers' share of unearned premiums | (133,952) | - | (133,952) |
| Reinsurers' share of outstanding claims | 1,256,688 | - | 1,256,688 |
| Reinsurers' share of claims incurred but not reported | 7,511,508 | - | 7,511,508 |
| Deferred policy acquisition costs | (2,024,916) | - | (2,024,916) |
| Deferred excess of loss premiums | (5,679,142) | - | (5,679,142) |
| Prepaid expenses and other assets | (4,957,459) | - | (5,242,543) |
| Right-of-use assets | (7,859,310) | (285,084) | (7,859,310) |
| Statutory deposit | - | (5,000,000) | (5,000,000) |
| Policyholders and accounts payables | 320,467 | - | 320,467 |
| Reinsurers' balances payable | 1,027,492 | - | 1,027,492 |
| Accrued expenses and other liabilities | 3,021,206 | (236,039) | 2,785,167 |
| Lease liabilities | 6,889,117 | - | 6,889,117 |
| Unearned premiums | 25,297,433 | - | 25,297,433 |
| Unearned reinsurance commission | 69,245 | - | 69,245 |
| Outstanding claims | 413,346 | - | 413,346 |
| Claims incurred but not reported | (23,070,460) | - | (23,070,460) |
| Premium deficiency reserve | 10,179,352 | - | 10,179,352 |
| Other technical reserves | (1,817,302) | - | (1,817,302) |
| End-of-service indemnities paid | 11,338,895 | (3,222,023) | 8,116,872 |
| Net cash generated from/(used in) operating activities | (132,109) | - | (132,109) |
| | 11,206,786 | (3,222,023) | 7,984,763 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions in time deposits | (12,319,020) | - | (12,319,020) |
| Additions in investments | (1,893,359) | (9,064,279) | (10,957,638) |
| Proceeds from available for sale investments | 4,791,907 | 25,292,814 | 30,084,721 |
| Additions/disposals in property and equipment | (159,428) | - | (159,428) |
| Net cash (used in)/generated from investing activities | (9,579,900) | 16,228,535 | 6,648,635 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Due to shareholders' operations | 159,207 | (159,207) | - |
| Net cash generated from/(used in) financing activities | 159,207 | (159,207) | - |
| Net change in cash and cash equivalents | 1,786,093 | 12,847,305 | 14,633,398 |
| Cash and cash equivalents, beginning of the period | 141,569,650 | 81,965,109 | 223,534,759 |
| Cash and cash equivalents, end of the period | 143,355,743 | 94,812,414 | 238,168,157 |
| <i>Non-cash transactions:</i> | | | |
| Change in fair value of available for sale investments | 2,089,676 | (1,354,679) | 734,997 |

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20 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentations; however there is no impact of such reclassifications to the overall presentation of the interim condensed financial statements.

21 SUBSEQUENT EVENT

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the "Decree") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, the Decree instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Decree and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial information has not been adjusted.

22 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 17 May 2020 corresponding to 24 Ramadan 1441H.