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

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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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 2021

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**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Opinion**

We have audited the financial statements of Buruj Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the related statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 34, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), as endorsed in the Kingdom of Saudi Arabia by Saudi Organization for Certified Public Accountants (SOCPA) and other standards and pronouncements as endorsed by SOCPA.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter provided in that context:

**INDEPENDENT AUDITORS' REPORT  
 TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
 (A SAUDI JOINT STOCK COMPANY)**

*Key Audit Matters (Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of ultimate claim liability arising from insurance contract</b></p> <p>As at 31 December 2021, the gross outstanding claims and claims Incurred but Not Reported (IBNR) amounted to SR 111 million (2020: SR 161.7 million) as reported in Note 10.A of the financial statements.</p> <p>The valuation of ultimate insurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate insurance contract liabilities, we have determined it to be a key audit matter.</p> <p><i>The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 5, respectively, to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 10(a) and 11, respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 29 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 30 to the financial statements.</i></p>	<ul style="list-style-type: none"> <li>• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded.</li> <li>• On a sample basis, we tested the measurement of claims reserves on a case-by-case basis by comparing the outstanding claims to source documentation.</li> <li>• We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also reviewed the actuarial reserve report issued by the independent actuary.</li> <li>• We evaluated the completeness and accuracy of data used by management in their calculation of ultimate insurance contract liabilities and evaluated the results of liability adequacy test.</li> </ul>



**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY) – CONTINUED**

**Other information**

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon. The board of directors (the directors) is responsible for the other information in the Company's annual report. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as endorsed in the Kingdom of Saudi Arabia by SOCPA and other standards and pronouncements as endorsed by SOCPA, Regulations for Companies and the Company's by-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY) – CONTINUED**

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



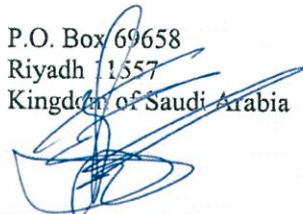
**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY) – CONTINUED**

**Auditors' responsibilities for the audit of the financial statements (continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For Al-Bassam & Co.**

P.O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia



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



**For El Sayed El Ayouty & Co.**

P. O. Box 780  
Jeddah 21421  
Kingdom of Saudi Arabia



**Mohamed El Sayed El Ayouty**  
Certified Public Accountant  
License No. 211



17 March 2022  
14 Shaban 1443

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

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

	Notes	2021 SAR	2020 SAR
<b>ASSETS</b>			
Cash and cash equivalents	6	237,886,895	131,891,933
Time deposits	7	333,742,623	288,808,058
Premiums and reinsurers' receivable, net	9	39,887,814	36,267,297
Reinsurers' share of unearned premiums	10(b)	12,536,185	15,250,132
Reinsurers' share of outstanding claims	10(a)	10,362,152	34,868,873
Reinsurers' share of claims incurred but not reported	10(a)	4,587,389	5,794,590
Deferred policy acquisition costs	10(d)	8,640,690	3,733,851
Investments	13	156,680,148	252,441,453
Prepaid expenses and other assets	8	42,846,385	25,015,836
Right-of-use assets	16	5,701,429	4,569,427
Property, equipment and intangible assets, net	12	4,129,551	3,717,353
Investment in associate	14	597,960	700,618
Statutory deposit	22	30,000,000	30,000,000
Statutory deposit investment returns	22	2,353,079	1,838,010
<b>TOTAL ASSETS</b>		<b>889,952,300</b>	<b>834,897,431</b>
<b>LIABILITIES</b>			
Policyholders and accounts payables	17	39,815,353	26,879,684
Reinsurers' balances payable		10,408,950	12,557,417
Accrued expenses and other liabilities	18	23,470,413	14,704,394
Lease liabilities	16	5,196,480	4,471,572
Unearned premiums	10(b)	181,232,083	91,976,873
Unearned reinsurance commission	10(c)	1,758,780	1,606,945
Outstanding claims	10(a)	83,717,517	122,744,363
Claims incurred but not reported	10(a)	27,395,774	38,964,437
Premium deficiency reserve	10(a)	26,312,790	23,753,336
Other technical reserves	10(a)	5,470,428	5,802,271
End-of-service benefits	19	12,311,821	16,012,358
Zakat payable	28	32,841,217	30,147,838
Statutory deposit investment returns	22	2,353,079	1,838,010
<b>TOTAL LIABILITIES</b>		<b>452,284,685</b>	<b>391,459,498</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus		-	1,714,863
Fair value reserve on available for sale investments		(3,705,910)	(77,723)
Foreign currency translation adjustments		21,649	-
Accumulated actuarial loss on end-of-service benefits		(1,069,338)	(2,718,032)
<b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b>		<b>447,531,086</b>	<b>390,378,604</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	23	300,000,000	300,000,000
Statutory reserve	24	51,584,068	50,721,307
Retained earnings		83,268,715	79,817,669
Foreign currency translation adjustments		159,784	208,729
Fair value reserve on available for sale investments		7,408,647	13,771,122
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>442,421,214</b>	<b>444,518,827</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>889,952,300</b>	<b>834,897,431</b>

Chairman

General Manager

Finance Manager

The accompanying notes 1 to 34 form an integral part of these financial statements.



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

**STATEMENT OF INCOME**

For the year ended 31 December 2021

	Notes	2021 SAR	2020 SAR
<b><u>REVENUES</u></b>			
Gross written premiums	10(b)	290,711,903	202,251,926
Reinsurance premiums ceded		(29,955,400)	(28,424,308)
Excess of loss premiums		(7,044,566)	(9,649,690)
<b>Net premiums written</b>		<b>253,711,937</b>	<b>164,177,928</b>
Changes in unearned premiums, net		(91,969,157)	25,534,377
<b>Net premiums earned</b>	10(b)	<b>161,742,780</b>	<b>189,712,305</b>
Reinsurance commissions earned	10(c)	7,511,425	8,619,040
Policy fees		248,876	263,240
Other underwriting income		2,469,940	5,749,742
<b><u>TOTAL REVENUES</u></b>		<b>171,973,021</b>	<b>204,344,327</b>
<b><u>UNDERWRITING COSTS</u></b>			
Gross claims paid		(126,527,044)	(157,559,748)
Reinsurers' share of claims paid		7,289,040	12,688,770
<b>Net claims paid</b>		<b>(119,238,004)</b>	<b>(144,870,978)</b>
Changes in outstanding claims, net		14,520,125	22,802,835
Changes in claims incurred but not reported, net		10,361,462	11,735,912
<b>Net claims incurred</b>		<b>(94,356,417)</b>	<b>(110,332,231)</b>
Changes in premium deficiency reserve		(2,559,454)	(5,427,094)
Changes in other technical reserves		331,843	(600,702)
Policy acquisition costs	10(d)	(11,065,797)	(13,093,204)
Inspection and supervision fees		(2,239,029)	(1,372,468)
Third party administrator fees		(2,117,723)	(2,284,576)
Other underwriting expenses		(13,242,812)	(6,917,978)
<b><u>TOTAL UNDERWRITING COSTS</u></b>		<b>(125,249,389)</b>	<b>(140,028,253)</b>
<b>NET UNDERWRITING SURPLUS</b>		<b>46,723,632</b>	<b>64,316,074</b>
<b><u>OTHER OPERATING (EXPENSES)</u></b>			
Reversal of doubtful debts provision	9(b)	606,160	1,621,956
General and administrative expenses	20	(71,294,035)	(65,403,090)
Investment income	13(iii)	40,815,269	21,016,197
Impairment of available for sale investments	13(iii)	(1,218,783)	(5,695,478)
Share of (loss)/profit of associate	14	(102,658)	398,607
Other income		240,555	2,525,348
<b><u>TOTAL OTHER OPERATING EXPENSES, NET</u></b>		<b>(30,953,492)</b>	<b>(45,536,460)</b>
<b>Total income before surplus attribution and zakat</b>		<b>15,770,140</b>	<b>18,779,614</b>
<b>Surplus attributed to the insurance operations</b>		<b>-</b>	<b>(1,714,863)</b>
<b>Income attributed to the shareholders before zakat</b>		<b>15,770,140</b>	<b>17,064,751</b>
<b>Zakat charge</b>	28	<b>(11,456,333)</b>	<b>(11,327,625)</b>
<b>Net income attributed to the shareholders after zakat</b>		<b>4,313,807</b>	<b>5,737,126</b>
<b>Earnings per share – Basic and diluted</b>	25	<b>0.14</b>	<b>0.19</b>

Chairman

General Manager

Finance Manager

The accompanying notes 1 to 34 form an integral part of these financial statements.

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

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

		2021 SAR	2020 SAR
Net income after zakat	Notes	4,313,807	7,451,989
<b>Other comprehensive (loss)/income</b>			
<i>Items that will be reclassified to statements of income in subsequent years</i>			
Available for sale investments:			
- Net amounts transferred to statement of income	13(iii)	(21,085,955)	(1,582,918)
- Foreign currency translation adjustments		(27,296)	208,729
- Net change in fair value		11,095,295	3,577,652
		(10,017,956)	2,203,463
<i>Items that will not be reclassified to statements of income in subsequent years</i>			
Actuarial gain/(loss) on end-of- service benefits	19	1,648,694	(484,275)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(4,055,455)	9,171,177
<b>Total comprehensive (loss)/income attributed to the insurance operations</b>		(1,957,842)	2,811,754
<b>Total comprehensive (loss)/income attributable to the shareholders</b>		(2,097,613)	6,359,423



Chairman



General Manager



Finance Manager

The accompanying notes 1 to 34 form an integral 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 2021

	Share Capital SAR	Statutory Reserve SAR	Retained earnings SAR	Foreign currency translation adjustments SAR	Fair value reserve on available for sale investments SAR	Total SAR
<b>2021</b>						
Balance as at 1 January 2021	300,000,000	50,721,307	79,817,669	208,729	13,771,122	444,518,827
Net income attributable to shareholders after zakat	-	-	4,313,807	-	-	4,313,807
Foreign currency translation adjustments	-	-	-	(48,945)	-	(48,945)
Changes in fair value of available for sale investments	-	-	-	-	(6,362,475)	(6,362,475)
Total comprehensive loss attributable to shareholders	-	-	4,313,807	(48,945)	(6,362,475)	(2,097,613)
Transfer to statutory reserve	-	862,761	(862,761)	-	-	-
Balance as at 31 December 2021	300,000,000	51,584,068	83,268,715	159,784	7,408,647	442,421,214
<b>2020</b>						
Balance as at 1 January 2020	300,000,000	49,573,882	75,227,968	-	13,357,554	438,159,404
Net income attributable to shareholders after zakat	-	-	5,737,126	-	-	5,737,126
Foreign currency translation adjustments	-	-	-	208,729	-	208,729
Changes in fair value of available for sale investments	-	-	-	-	413,568	413,568
Total comprehensive income attributable to shareholders	-	-	5,737,126	208,729	413,568	6,359,423
Transfer to statutory reserve	-	1,147,425	(1,147,425)	-	-	-
Balance as at 31 December 2020	300,000,000	50,721,307	79,817,669	208,729	13,771,122	444,518,827



Chairman



General Manager



Finance Manager

The accompanying notes 1 to 34 form an integral part of these financial statements.



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

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	Notes	2021 SAR	2020 SAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total income before surplus attribution and zakat		15,770,140	18,779,614
<i>Adjustments for non-cash items:</i>			
Depreciation of property, equipment and intangible assets	12	1,459,936	1,682,030
Reversal of doubtful debts provision	9(b)	(606,160)	(1,621,956)
Provision for end-of-service benefits	19	2,605,344	2,933,123
Realized gain from investments		(21,085,955)	(1,582,918)
Impairment of available for sale investment	13(ii)	1,218,783	5,695,478
Share of loss/(profit) of associate	14	102,658	(398,607)
(Gain)/loss on disposal of property and equipment		(121,968)	37,980
Depreciation of Right-of-use assets	16	1,608,617	1,753,574
Interest expense on lease liabilities	16	115,453	116,595
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(3,014,357)	14,456,125
Reinsurers' share of unearned premiums		2,713,947	4,601,662
Reinsurers' share of outstanding claims		24,506,721	14,095,340
Reinsurers' share of claims incurred but not reported		1,207,201	2,391,406
Deferred policy acquisition costs		(4,906,839)	2,224,692
Prepaid expenses and other assets		(17,830,549)	(2,352,279)
Right-of-use assets		(2,740,619)	(87,391)
Statutory deposit		-	-
Policyholders and accounts payables		12,935,669	(594,835)
Reinsurers' balances payable		(2,148,467)	(3,544,443)
Accrued expenses and other liabilities		8,766,019	(8,573,171)
Unearned premiums		89,255,210	(30,136,039)
Unearned reinsurance commission		151,835	(196,650)
Outstanding claims		(39,026,846)	(36,898,175)
Claims incurred but not reported		(11,568,663)	(14,127,318)
Premium deficiency reserve		2,559,454	5,427,094
Other technical reserves		(331,843)	600,702
End-of-service benefits paid		61,594,721	(25,318,367)
Insurance surplus paid	19	(4,657,186)	(359,010)
Zakat paid		(1,714,863)	(467,978)
Net cash generated from/(used in) operating activities	28	(8,762,953)	(13,206,496)
		46,459,719	(39,351,851)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Additions)/disposals in time deposits		(44,934,565)	75,577,514
Additions in investments	13(ii)	(70,305,124)	(79,482,456)
Proceeds from available for sale investments	13(ii)	175,915,645	52,901,851
Additions in property, equipment and intangible assets	12	(2,000,125)	(1,592,166)
Proceeds from disposal of property, equipment and intangible assets		249,957	4,149
Net cash generated from investing activities		58,925,788	47,408,892
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities		609,455	(1,625,846)
Net cash generated from/(used in) in financing activities		609,455	(1,625,846)
Net change in cash and cash equivalents		105,994,962	6,431,195
Cash and cash equivalents, beginning of the year		131,891,933	125,460,738
Cash and cash equivalents, end of the year	6	237,886,895	131,891,933
<i>Non-cash transactions:</i>			
Change in fair value of available for sale investments		(9,990,660)	1,994,734
Foreign currency translation adjustments		(27,296)	208,729
Bonus shares	23	-	-

Chairman

General Manager

Finance Manager

The accompanying notes 1 to 34 form part of these financial statements.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 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 and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Certified Public Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments and investment in associates which is accounted for under the equity method and employees’ end of service benefits at present value.

The statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in Note 31 of the financial statements have been provided as supplementary financial information 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 statements of financial position, statements of income, statement of comprehensive income and statement of 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)

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 2 BASIS OF PREPARATION (CONTINUED)

#### (a) Basis of presentation and measurement (continued)

In preparing the Company-level financial statements in compliance with IFRSs, 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.

#### (b) Functional and presentational currency

The functional and presentation currency of the Company is Saudi Arabian Riyals.

#### (c) Fiscal year

The Company follows a fiscal year ending December 31.

#### (d) Critical accounting judgments, estimates and assumptions

The preparation of the 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.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

##### i) 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 the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. 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. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analysing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

##### ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.



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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 2 BASIS OF PREPARATION (CONTINUED)

#### (d) Critical accounting judgments, estimates and assumptions (continued)

##### iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

##### iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and 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 credit risk and counterparty risk), volatilities and correlations require management to make estimates.

#### 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 an 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 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.

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “Decree”) dated 8 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 Company has taken the financial impact in both unearned premiums and premium deficiency reserves.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 2 BASIS OF PREPARATION (CONTINUED)

#### (d) Critical accounting judgments, estimates and assumptions (continued)

##### Impact of covid-19 on the medical technical reserves and financial assets (continued)

##### 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 year ended 31 December 2020. The Company's management continues to monitor the situation closely.

##### 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 year ended 31 December 2020. The Company's management continues to monitor the situation closely.

### 3 NEW STANDARDS AND AMENDMENTS ISSUED

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The management has assessed that the amendments have no significant impact on the Company's financial statements.

#### Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

#### Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16)
- Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED

#### IFRS 17 – Insurance Contracts

##### Overview

This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

##### Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

**The General model** is based on the following “building blocks”:

- a) the fulfilment cash flows (FCF), which comprise:
  - probability-weighted estimates of future cash flows,
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
  - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
  - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
  - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.



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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

#### IFRS 17 – Insurance Contracts (continued)

The **Variable Fee Approach (VFA)** is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

- i. changes in the entity’s share of the fair value of underlying items,
- ii. changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

#### Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

#### Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

#### Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

#### Impact

The Company has completed design of IFRS 17 requirements in May 2021 and First Dry Run financial statements were submitted to SAMA on 30<sup>th</sup> November 2021. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 17 – Financial Instruments**

Impact Area	Summary of Impact
Financial Impact	Company is still assessing full financial impact along with second Dry Run submission to SAMA which is due on 31 <sup>st</sup> May 2022
Data Impact / IT Systems	<ul style="list-style-type: none"> <li>▪ Conceptual design of New chart of accounts has been developed for PAA/ GMM</li> <li>▪ Actuarial and accounting data requirements have been developed at more granular level</li> <li>▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM</li> <li>▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment.</li> <li>▪ Conceptual design for identification of key inputs for onerous contracts test as well as defining ‘facts and circumstance’ for PAA contracts has been developed</li> <li>▪ Conceptual design for calculation and tracking of contractual service margin</li> <li>▪ The company has selected system vendor to update the above through an IFRS 17 engine</li> </ul>
Process Impact	<ul style="list-style-type: none"> <li>▪ Conceptual design for Finance, actuarial, underwriting and IT processes has been built suitable for ifrs 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase</li> <li>▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources</li> <li>▪ Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area</li> <li>▪ Monitor terms and conditions attaching to insurance contracts</li> <li>▪ Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level.</li> <li>▪ System to track coverage period for future products need to be put in place</li> </ul>
Impact on Policies & Control Frameworks	<ul style="list-style-type: none"> <li>▪ New Steering committee for IFRS 17 has been established</li> <li>▪ Project plan for design and implementation has been set up at activities level</li> </ul>

The Company has started with their implementation process and have set up an implementation committee. The company submitted IFRS 17 Phase 3 Implementation plan report to SAMA in May 2021 to comply with the regulatory requirement for the design phase. Further the company is preparing to submit second dry run financial statements and results with SAMA by 31<sup>st</sup> May 2022.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

#### IFRS 9 – Financial Instruments

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

##### a) Classification and measurement:

- i. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:
  - ii. i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- iii. ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and
- ii. the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

##### b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.



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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

#### IFRS 9 – Financial Instruments

##### c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “fair value macro hedges”). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

##### Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
  - a. the effective date of a new insurance contract standard; or
  - b. annual reporting periods beginning on or after January 1, 2021 which was then deferred to January 1, 2022. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2020 which included below:

(1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

(2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

##### **Impact assessment:**

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these annual financial statements, SAMA has issued instructions dated 08<sup>th</sup> February 2022, where the company is required to submit an Operational Gap Assessment by 31<sup>st</sup> March 2022. The financial impact of adopting the standard is yet to be fully assessed by the Company.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 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 income, 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 income. 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 income.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 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 income, 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 income 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 14. 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.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 SIGNIFICANT ACCOUNTING POLICIES (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.

The investment committee 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 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.

#### ***End-of-service benefit obligation***

The Company operates an end of service benefit plan for its employee based on the prevailing Saudi Labour Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method, while the benefits payments obligation is discharged as and when it falls due.

Re-measurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to equity through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service cost are recognised in statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Interest expense or income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Interest expense or income

#### ***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 income.

#### ***Deferred policy acquisition costs***

Commissions paid are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine and engineering, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded in the statement of income.

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 income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.



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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 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 income.

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 income 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 statement of 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.

#### ***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.

#### ***Special commission income***

Special commission income is recognised on an effective yield basis.

#### ***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.

#### ***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.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 income.

#### *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 un-collectability 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 income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### *Segmental reporting*

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief executive officer who the chief is operating decision maker (CODM) 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.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Others which include Engineering products and General Accident and liability which provides coverage against unfortunate events with respect to activities undertaken during construction projects, 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Segmental reporting (continued)*

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, debt securities and investment funds. 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 fair value reserve gain/ (loss) on available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of income.

#### *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 income. 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.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**6 CASH AND CASH EQUIVALENTS**

	<b>2021</b>		<b>2020</b>	
	<b>Insurance operations SAR</b>	<b>Shareholders' operations SAR</b>	<b>Insurance operations SAR</b>	<b>Shareholders' operations SAR</b>
Bank balances and cash	<b>170,713,065</b>	<b>66,232,040</b>	85,800,804	45,149,516
Deposits maturing within 3 months from the acquisition date	<b>941,790</b>	-	941,613	-
	<b>171,654,855</b>	<b>66,232,040</b>	86,742,417	45,149,516

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 1.7% per annum (2020: 1.7% 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.

**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 4.09% per annum (2020: 2.09% per annum).

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

**8 PREPAID EXPENSES AND OTHER ASSETS**

	<b>2021</b>		<b>2020</b>	
	<b>Insurance operations SAR</b>	<b>Shareholders' operations SAR</b>	<b>Insurance operations SAR</b>	<b>Shareholders' operations SAR</b>
Accrued commission income	<b>3,613,161</b>	<b>3,539,470</b>	4,912,264	1,612,819
Insurance syndicate receivable	<b>7,088,387</b>	-	6,334,144	-
Deferred third party administrator fees	<b>2,370,766</b>	-	836,323	-
Advances paid to suppliers	<b>1,659,604</b>	-	419,250	-
Prepaid rent	<b>367,506</b>	-	757,593	-
Others	<b>23,600,346</b>	<b>607,145</b>	9,536,298	607,145
	<b>38,699,770</b>	<b>4,146,615</b>	22,795,872	2,219,964



**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**9 PREMIUMS AND REINSURERS' RECEIVABLE, NET**

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

	<b>2021 SAR</b>	<b>2020 SAR</b>
Premiums receivable	<b>48,151,240</b>	35,568,338
Less: Allowance for doubtful debts	<b>(11,184,720)</b>	(14,059,921)
	<b>36,966,520</b>	21,508,417
Reinsurers' receivable	<b>6,234,566</b>	15,803,111
Less: Allowance for doubtful debts	<b>(3,313,272)</b>	(1,044,231)
	<b>2,921,294</b>	14,758,880
Total premiums and reinsurers' receivable, net	<b>39,887,814</b>	36,267,297

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

	<b>Policyholders SAR</b>	<b>Reinsurers' SAR</b>	<b>Total SAR</b>
<b>2021</b>			
Beginning balance	14,059,921	1,044,231	15,104,152
(Reversal)/Charge for the year	(2,875,201)	2,269,041	(606,160)
Closing balance	<b>11,184,720</b>	<b>3,313,272</b>	<b>14,497,992</b>
<b>2020</b>			
Beginning balance	13,597,655	3,128,453	16,726,108
Charge/(Reversal) for the year	462,266	(2,084,222)	(1,621,956)
Closing balance	14,059,921	1,044,231	15,104,152

(c) As at 31 December, the ageing of receivables is as follows:

			<i>Past due but not impaired</i>		
	<b>Total SAR</b>	<b>Neither past due nor impaired SAR</b>	<b>91 to 180 days SAR</b>	<b>181 to 365 Days SAR</b>	<b>More than 365 days SAR</b>
<b>2021</b>					
Policyholders'	<b>36,966,520</b>	<b>24,441,317</b>	<b>5,359,832</b>	<b>7,165,371</b>	<b>-</b>
Reinsurers	<b>2,921,294</b>	<b>1,928,320</b>	<b>71,062</b>	<b>13,988</b>	<b>907,924</b>
<b>2020</b>					
Policyholders'	21,508,417	6,580,594	6,997,588	7,930,235	-
Reinsurers	14,758,880	6,745,596	3,955,193	4,056,227	1,864

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.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**10 TECHNICAL RESERVES**

**(a) NET OUTSTANDING CLAIMS AND RESERVES**

	<b>2021</b>	<b>2020</b>
	<b>SAR</b>	<b>SAR</b>
Gross outstanding claims	<b>83,717,517</b>	122,744,363
Less: Realizable value of salvage and subrogation	<b>-</b>	-
	<b>83,717,517</b>	122,744,363
Claims incurred but not reported	<b>27,395,774</b>	38,964,437
Premium deficiency reserve	<b>26,312,790</b>	23,753,336
Other technical reserves *	<b>5,470,428</b>	5,802,271
	<b>142,896,509</b>	191,264,407
Less:		
Reinsurers' share of outstanding claims	<b>(10,362,152)</b>	(34,868,873)
Reinsurers' share of claims incurred but not reported	<b>(4,587,389)</b>	(5,794,590)
	<b>(14,949,541)</b>	(40,663,463)
<b>Net outstanding claims and other reserves</b>	<b>127,946,968</b>	150,600,944

\* Other technical reserves comprise of the following:

	<b>2021</b>	<b>2020</b>
	<b>SAR</b>	<b>SAR</b>
Unallocated loss adjustment expense	<b>5,104,414</b>	5,802,271
Catastrophe reserve	<b>-</b>	-
Reinsurance accrual reserve	<b>366,014</b>	-
	<b>5,470,428</b>	5,802,271

**(b) MOVEMENT IN UNEARNED PREMIUMS**

	<b>2021</b>			<b>2020</b>		
	<b>Gross SAR</b>	<b>Reinsurance SAR</b>	<b>Net SAR</b>	<b>Gross SAR</b>	<b>Reinsurance SAR</b>	<b>Net SAR</b>
Beginning balance	<b>91,976,873</b>	<b>(15,250,132)</b>	<b>76,726,741</b>	122,112,912	(19,851,794)	102,261,118
Premiums written during the year	<b>290,711,903</b>	<b>(36,999,966)</b>	<b>253,711,937</b>	202,251,926	(38,073,998)	164,177,928
Premiums earned during the year	<b>(201,456,693)</b>	<b>39,713,913</b>	<b>(161,742,780)</b>	(232,387,965)	42,675,660	(189,712,305)
Closing balance	<b>181,232,083</b>	<b>(12,536,185)</b>	<b>168,695,898</b>	91,976,873	(15,250,132)	76,726,741

**(c) UNEARNED REINSURANCE COMMISSION**

	<b>2021</b>	<b>2020</b>
	<b>SAR</b>	<b>SAR</b>
Beginning balance	<b>1,606,945</b>	1,803,595
Reinsurance commission received during the year	<b>7,663,260</b>	8,422,390
Reinsurance commission earned during the year	<b>(7,511,425)</b>	(8,619,040)
Closing balance	<b>1,758,780</b>	1,606,945

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**10 TECHNICAL RESERVES (CONTINUED)**

**(d) MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS**

	<b>2021</b>	2020
	<b>SAR</b>	SAR
Beginning balance	<b>3,733,851</b>	5,958,543
Paid during the year	<b>15,972,636</b>	10,868,512
Amortised during the year	<b>(11,065,797)</b>	(13,093,204)
Closing balance	<b>8,640,690</b>	3,733,851

**11 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.

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

31 December 2021

**11 CLAIMS DEVELOPMENT TABLE (CONTINUED)**

**GROSS**

Accident year	2021						Total
	31 December 2016 and earlier	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	
	SAR	SAR	SAR	SAR	SAR	SAR	
Estimate of cumulative claims:							
At end of accident year	262,477,634	323,484,785	268,242,289	275,257,990	171,071,337	150,480,073	-
One year later	238,101,886	282,270,228	225,865,951	246,666,160	142,956,617	-	-
Two years later	217,787,080	260,400,803	218,815,831	245,330,619	-	-	-
Three years later	205,857,633	256,138,211	211,563,337	-	-	-	-
Four years later	201,389,401	246,575,427	-	-	-	-	-
Five years later	960,339,241	-	-	-	-	-	-
<b>Current estimate of cumulative claims incurred</b>	<b>960,339,241</b>	<b>246,575,427</b>	<b>211,563,337</b>	<b>245,330,619</b>	<b>142,956,617</b>	<b>150,480,073</b>	<b>1,957,245,314</b>
Cumulative payments to date	(945,217,123)	(242,195,112)	(202,271,040)	(231,663,941)	(127,653,818)	(97,130,989)	(1,846,132,023)
<b>Total cumulative gross claim reserves recognised in statement of financial position</b>	<b>15,122,118</b>	<b>4,380,315</b>	<b>9,292,297</b>	<b>13,666,678</b>	<b>15,302,799</b>	<b>53,349,084</b>	<b>111,113,291</b>

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

Accident year	2020						Total
	31 December 2016 and earlier	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	
	SAR	SAR	SAR	SAR	SAR	SAR	
Estimate of cumulative claims:							
At end of accident year	230,423,840	294,398,521	249,529,105	254,264,989	161,565,269	141,916,147	-
One year later	202,841,835	256,929,714	215,187,713	229,192,038	137,999,442	-	-
Two years later	193,358,693	244,422,302	208,641,058	228,189,732	-	-	-
Three years later	187,019,653	240,304,346	202,825,216	-	-	-	-
Four years later	183,850,639	232,374,963	-	-	-	-	-
Five years later	821,814,135	-	-	-	-	-	-
<b>Current estimate of cumulative claims incurred</b>	<b>821,814,135</b>	<b>232,374,963</b>	<b>202,825,216</b>	<b>228,189,732</b>	<b>137,999,442</b>	<b>141,916,147</b>	<b>1,765,119,635</b>
Cumulative payments to date	(812,466,246)	(228,109,096)	(193,949,807)	(215,702,722)	(123,657,386)	(95,070,628)	(1,668,955,885)
<b>Total cumulative net claim reserves recognised in statement of financial position</b>	<b>9,347,889</b>	<b>4,265,867</b>	<b>8,875,409</b>	<b>12,487,010</b>	<b>14,342,056</b>	<b>46,845,519</b>	<b>96,163,750</b>



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

31 December 2021

**11 CLAIMS DEVELOPMENT TABLE (CONTINUED)**

**GROSS**

	2020						
Accident year	31 December 2015 and earlier	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	348,139,465	262,477,634	323,484,785	268,242,289	275,257,990	171,071,337	-
One year later	311,066,696	238,101,886	282,270,228	225,865,951	246,666,160	-	-
Two years later	306,455,600	217,787,080	260,400,803	218,815,831	-	-	-
Three years later	301,664,797	205,857,633	256,138,211	-	-	-	-
Four years later	283,616,765	201,389,401	-	-	-	-	-
Five years later	791,961,293	-	-	-	-	-	-
Current estimate of cumulative claims incurred	791,961,293	201,389,401	256,138,211	218,815,831	246,666,160	171,071,337	1,886,042,233
Cumulative payments to date	(759,241,735)	(189,134,258)	(242,519,230)	(200,294,265)	(222,836,451)	(110,307,494)	(1,724,333,433)
Total cumulative gross claim reserves recognised in statement of financial position	32,719,558	12,255,143	13,618,981	18,521,566	23,829,709	60,763,843	161,708,800

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

	2020						
Accident year	31 December 2015 and earlier	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	247,768,390	230,423,840	294,398,521	249,529,105	254,264,989	161,565,269	-
One year later	226,934,157	202,841,835	256,929,714	215,187,713	229,192,038	-	-
Two years later	230,491,592	193,358,693	244,422,302	208,641,058	-	-	-
Three years later	224,933,416	187,019,653	240,304,346	-	-	-	-
Four years later	209,476,498	183,850,639	-	-	-	-	-
Five years later	646,096,366	-	-	-	-	-	-
Current estimate of cumulative claims incurred	646,096,366	183,850,639	240,304,346	208,641,058	229,192,038	161,565,269	1,669,649,716
Cumulative payments to date	(636,068,062)	(174,860,334)	(228,377,714)	(192,229,853)	(209,372,697)	(107,695,716)	(1,548,604,376)
Total cumulative net claim reserves recognised in statement of financial position	10,028,304	8,990,305	11,926,632	16,411,205	19,819,341	53,869,553	121,045,340

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

31 December 2021

**12 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, NET**

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

Leasehold improvements	6-7 years	Furniture, fixtures and office equipment			6-10 years	
Computer equipment and intangibles	4 years	Motor vehicles			4 years	
	Leasehold improvements SAR	Furniture, fixtures and office equipment SAR	Computer equipment and intangibles SAR	Motor vehicles SAR	Total 2021 SAR	Total 2020 SAR
<b>Cost:</b>						
Beginning balance	2,439,537	2,796,738	11,472,017	887,752	<b>17,596,044</b>	16,265,911
Additions	223,245	1,053,393	723,487	-	<b>2,000,125</b>	1,592,166
Disposals	(2,350)	(12,770)	(37,790)	(843,751)	<b>(896,661)</b>	(262,033)
	<u>2,660,432</u>	<u>3,837,361</u>	<u>12,157,714</u>	<u>44,001</u>	<u><b>18,699,508</b></u>	<u>17,596,044</u>
<b>Accumulated depreciation:</b>						
Beginning balance	2,180,985	1,806,253	9,124,514	766,939	<b>13,878,691</b>	12,416,565
Charge for the year	76,361	254,089	1,127,719	1,767	<b>1,459,936</b>	1,682,030
Disposals	(2,047)	(7,547)	(34,367)	(724,709)	<b>(768,670)</b>	(219,904)
	<u>2,255,299</u>	<u>2,052,795</u>	<u>10,217,866</u>	<u>43,997</u>	<u><b>14,569,957</b></u>	<u>13,878,691</u>
<b>Net book value:</b>						
<b>December 31, 2021</b>	<u><b>405,133</b></u>	<u><b>1,784,566</b></u>	<u><b>1,939,848</b></u>	<u><b>4</b></u>	<u><b>4,129,551</b></u>	
December 31, 2020	258,551	990,485	2,347,503	120,813		3,717,353

**13 INVESTMENTS**

(i) Investments are classified as follows:

	2021		2020	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Available for sale "AFS"	25,044,590	126,635,558	52,732,939	189,708,514
Held to maturity "HTM"	-	5,000,000	-	10,000,000
Total	<u>25,044,590</u>	<u>131,635,558</u>	<u>52,732,939</u>	<u>199,708,514</u>

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

31 December 2021

**13 INVESTMENTS (CONTINUED)**

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

	<b>2021</b>		<b>2020</b>	
	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>
Quoted equity securities	-	<b>12,702,270</b>	27,194,404	12,418,420
Units in investment funds - (NAV)*	<b>25,044,590</b>	<b>40,783,222</b>	25,538,535	89,705,144
Quoted fixed income securities	-	<b>71,226,988</b>	-	68,987,144
Units in quoted local real estate funds	-	-	-	16,674,728
Unquoted local equity investment **	-	<b>1,923,078</b>	-	1,923,078
Total available for sale investments	<b>25,044,590</b>	<b>126,635,558</b>	<b>52,732,939</b>	<b>189,708,514</b>

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

\*\* This represents the share in Najm for Insurance Services Company measured at cost and the fair value was not materially different from its carrying value.

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

	<b>2021</b>		<b>2020</b>	
	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>
Sukuk "Almarai" – September 2022	-	<b>5,000,000</b>	-	5,000,000
Sukuk "Sipchem" – June 2021	-	-	-	5,000,000
Total held to maturity investments	-	<b>5,000,000</b>	-	10,000,000

The fair value of the "HTM" investments as at 31 December 2021 was not different from its carrying value. Sukuk "Sipchem" was matured in the second quarter 2021.

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

	<b>2021</b>		<b>2020</b>	
	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>	<b>Insurance Operations SAR</b>	<b>Shareholders' Operations SAR</b>
Opening balance	<b>52,732,939</b>	<b>199,708,514</b>	30,561,376	197,208,569
Purchases	<b>62,793,195</b>	<b>7,511,929</b>	58,809,636	20,672,820
Disposals	<b>(97,909,152)</b>	<b>(78,006,493)</b>	(39,646,573)	(13,255,278)
Impairment	-	<b>(1,218,783)</b>	(164,080)	(5,531,398)
	<b>17,616,982</b>	<b>127,995,167</b>	49,560,359	199,094,713
Changes in fair value of investments	<b>7,405,959</b>	<b>3,689,336</b>	3,172,580	405,072
Foreign currency translation adjustments	<b>21,649</b>	<b>(48,945)</b>	-	208,729
Closing balance	<b>25,044,590</b>	<b>131,635,558</b>	<b>52,732,939</b>	<b>199,708,514</b>

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

31 December 2021

**13 INVESTMENTS (CONTINUED)**

(iii) Investment income comprises of the following:

	2021		2020	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Special commission income	4,754,317	6,743,335	8,057,954	4,737,707
Dividend income	1,155,617	7,076,045	1,047,869	5,589,749
Realized gain/(loss) on sale of investments	11,034,144	10,051,811	1,591,414	(8,496)
Impairment of available for sale investments	-	(1,218,783)	(164,080)	(5,531,398)
Total investment income	16,944,078	22,652,408	10,533,157	4,787,562

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

	2021 SAR	2020 SAR
Government and quasi government	30,249,543	30,625,268
Banks and financial institutions	35,488,168	37,573,377
Corporates and investment funds	90,942,437	184,242,807
Total	156,680,148	252,441,452

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

	2021 SAR	2020 SAR
Investment grade	42,643,038	50,736,322
Non-investment grade	41,286,220	52,775,278
Unrated	72,750,890	148,929,852
Total	156,680,148	252,441,452

**14 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	Assets	Liabilities	Revenue	Loss	% Interest
		SAR				
December 31, 2021	Saudi Arabia	4,045,336	2,529,067	2,286,562	(256,553)	40%
December 31, 2020	Saudi Arabia	5,643,624	3,870,711	1,480,631	(318,836)*	40%

Based on latest management accounts for the period ended 31 December 2021.

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

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

31 December 2021

**14 INVESTMENT IN ASSOCIATE (CONTINUED)**

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.

\* On 28 December 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 500,000 of the associate's general and administrative expenses for the year 2020 before issuing the associate's year-end financial statements for 2020, and thus the Company absorbed the amount of SAR 200,000 as 'other expenses' presented in year-end condensed statement of income for shareholders' operations.

	<b>2021</b>	2020
	<b>SAR</b>	SAR
Balance, January 1	<b>700,618</b>	302,011
Share of (loss)/profit	<b>(102,658)</b>	398,607
Balance, December 31	<b>597,960</b>	700,618

**15 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in 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 financial statements.

**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.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
<b>2021</b>				
<b>Available for sale</b>				
- Equities	12,702,270	-	1,923,078	14,625,348
- Fixed income securities	71,226,988	-	-	71,226,988
- Investment and real estate funds	-	65,827,812	-	65,827,812
<b>Held to maturity</b>	-	-	5,000,000	5,000,000
	<b>83,929,258</b>	<b>65,827,812</b>	<b>6,923,078</b>	<b>156,680,148</b>
<b>2020</b>				
<b>Available for sale</b>				
- Equities	39,612,824	-	1,923,078	41,535,902
- Fixed income securities	68,987,143	-	-	68,987,143
- Investment and real estate funds	16,674,728	115,243,679	-	131,918,407
<b>Held to maturity</b>	-	-	10,000,000	10,000,000
	<b>125,274,695</b>	<b>115,243,679</b>	<b>11,923,078</b>	<b>252,441,452</b>

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31 December 2021

**15 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Transfers between levels**

During the year ended 31 December 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

**16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Company has adopted IFRS 16 on 1 January 2019, using modified retrospective approach; therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of prepayments with no effect on opening retained earnings at 1 January 2019 and without a restatement of comparative information. The Company has applied the practical expedient to grandfather the definition of a lease on transition i.e. all contracts entered into before 1 January 2019 are identified as leases in accordance with IAS 17 and IFRIC 4.

The Company has recognised new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in- substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

	<b>2021</b>	2020
	<b>SAR</b>	SAR
<b>Cost</b>		
As at 1 January 2021	<b>7,946,701</b>	7,859,310
Additions	<b>2,740,619</b>	87,391
Deletions	<b>(1,219,171)</b>	-
As at 31 December 2021	<b>9,468,149</b>	7,946,701
<b>Accumulated Depreciation</b>		
As at 1 January 2021	<b>3,377,274</b>	1,623,700
Charge	<b>1,608,617</b>	1,753,574
Disposals	<b>(1,219,171)</b>	-
As at 31 December 2021	<b>3,766,720</b>	3,377,274
Carrying Value	<b>5,701,429</b>	4,569,427



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

31 December 2021

**16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

Lease liabilities as at year end are as follows:

	<b>2021</b>	2020
	<b>SAR</b>	SAR
Non-current portion of lease liability	<b>2,956,727</b>	3,027,638
Current portion of lease liability	<b>2,239,753</b>	1,443,934
	<b>5,196,480</b>	4,471,572

The total interest expense on lease liabilities recognized during the year ended 31 December 2021 is SAR 115,453.

**17 POLICYHOLDERS AND ACCOUNTS PAYABLES**

	<b>2021</b>	2020
	<b>SAR</b>	SAR
Payable to policyholders	<b>23,631,445</b>	20,997,728
Brokers and salesmen commissions payable	<b>5,139,029</b>	3,617,930
Other insurance payables	<b>11,044,879</b>	2,264,026
	<b>39,815,353</b>	26,879,684

**18 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2021</b>		2020	
	<b>Insurance</b>	<b>Shareholders</b>	Insurance	Shareholders'
	<b>Operations</b>	<b>' Operations</b>	Operations	Operations
	<b>SAR</b>	<b>SAR</b>	SAR	SAR
Excess of loss premiums and reinsurance commissions adjustments accruals	<b>427,249</b>	-	<b>1,410,368</b>	-
Third party claims payables	<b>4,668,314</b>	-	<b>5,122,044</b>	-
Employees' related accruals and payables	<b>3,183,369</b>	-	<b>2,082,152</b>	-
Board of directors and committee's remuneration fees and expenses	-	<b>1,875,000</b>	-	<b>1,938,207</b>
Others	<b>12,641,131</b>	<b>675,351</b>	<b>3,423,379</b>	<b>728,244</b>
	<b>20,920,063</b>	<b>2,550,351</b>	<b>12,037,943</b>	<b>2,666,451</b>

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

31 December 2021

**19 END OF SERVICE BENEFITS**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labour Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amount recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2021 SAR	2020 SAR
<b>Amount recognised in the statement of financial position</b>		
Present value of end of service benefits	12,311,821	16,012,358
Fair value of plan assets	-	-
Net liability at end of the year	12,311,821	16,012,358
	2021 SAR	2020 SAR
<b>Benefit expense (recognised in statement of income)</b>		
Current service costs	2,154,800	2,411,575
Past service (Cost)/Gain	-	1,622
Commission rate costs	450,544	519,926
Benefit expense (recognised in profit or loss)	2,605,344	2,933,123
	2021 SAR	2020 SAR
<b>Reconciliation of present value of end of service benefits</b>		
End of service benefits at beginning of the year	16,012,358	12,953,970
Current service costs	2,154,800	2,411,575
Past service (Cost)/Gain	-	1,622
Commission rate costs	450,544	519,926
Actuarial gain/(loss) from experience adjustments	(1,648,695)	484,275
Benefits paid during the year	(4,657,186)	(359,010)
Present value of end of service benefits at end of the year	12,311,821	16,012,358
	2021 SAR	2020 SAR
<b>Reconciliation of net liability in the statement of financial position</b>		
Opening balance	16,012,358	12,953,970
Charge to statement of income	2,605,344	2,933,123
Charge to statement of other comprehensive income	(1,648,695)	484,275
Payment of benefits during the year	(4,657,186)	(359,010)
Closing balance	12,311,821	16,012,358
	2021	2020
<b>Principal actuarial assumption</b>		
Valuation discount rate	3.00%	3.25%
Expected rate of increase in salary level across different age bands	5.00%	5.00%

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

31 December 2021

**19 EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)**

The impact of changes in sensitivities on present value of end of service benefits liability is as follows:

	<b>End of service benefits liability</b>	
	<b>2021</b>	<b>2020</b>
	<b>SAR</b>	<b>SAR</b>
Central Assumptions	<b>12,311,821</b>	16,012,358
Valuation discount rate		
• Increase by 0.50%	<b>11,814,782</b>	15,326,754
• Decrease by 0.50%	<b>12,848,206</b>	16,754,725
Expected rate of increase in salary level across different age bands		
• Increase by 0.50%	<b>12,865,533</b>	16,738,257
• Decrease by 0.50%	<b>11,793,475</b>	15,334,642
Employee turnover		
• Increase by 10%	<b>12,105,032</b>	15,770,122
• Decrease by 10%	<b>12,544,838</b>	16,270,521
Mortality rate		
• Increase by 50%	<b>12,281,167</b>	15,973,356
• Decrease by 50%	<b>12,343,164</b>	16,052,236

**20 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2021</b>		<b>2020</b>	
	<b>Insurance</b>	<b>Shareholders'</b>	<b>Insurance</b>	<b>Shareholders'</b>
	<b>operations</b>	<b>operations</b>	<b>operations</b>	<b>operations</b>
	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
Employees' salaries and all staff related costs	<b>44,524,654</b>	-	44,445,934	-
Office rent	<b>3,931,345</b>	-	3,867,471	-
Legal and professional fees	<b>4,317,651</b>	-	3,508,399	-
Utilities and telecommunications	<b>1,827,677</b>	-	1,525,689	-
Information technology expenses	<b>2,566,387</b>	-	1,899,313	-
Depreciation of property, equipment and intangible assets	<b>1,459,936</b>	-	1,682,030	-
Stationery and office supplies	<b>383,166</b>	-	456,565	-
Withholding taxes	<b>127,545</b>	-	672,806	-
Board of Directors and committees remuneration fees and expenses	-	<b>2,544,112</b>	-	2,135,234
Listing fees	-	<b>369,467</b>	-	356,618
Others	<b>7,397,403</b>	<b>1,844,692</b>	3,789,704	1,063,327
	<b>66,535,764</b>	<b>4,758,271</b>	61,847,911	3,555,179

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

31 December 2021

**21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, 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 year and the related balances:

		Transactions for the year ended		Balance as at	
		31 December 2021 SAR	31 December 2020 SAR	31 December 2021 SAR	31 December 2020 SAR
<i>Related party</i>	<i>Nature of transactions</i>				
Major Shareholders	Insurance premium written	14,396,900	3,653,186	5,712,102	3,248,096
	Claims paid	1,905,321	3,468,591	-	-
	Reinsurance premium ceded	2,782,646	1,984,216	(4,094,797)	(1,612,657)
Board of Directors and committees' members	Remuneration fees, allowances and other expense	2,544,112	2,135,234	(2,091,840)	(1,938,207)
	Insurance premium written	22,423,243	27,358,216	4,900,875	8,444,178
	Claims paid	6,044,387	6,773,866	-	-
	Insurance brokerage contracts	3,442,863	2,203,945	(1,549,720)	(891,155)
Associate	General and administrative expenses paid on behalf of the associate	-	333,665	510,973	510,973

Balances in respect of the above transactions with related parties are included in the relevant accounts in the 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 year is as follows:

	2021 SAR	2020 SAR
Short term benefits	3,023,047	4,079,980
End of service benefits	128,984	400,349
	<b>3,152,031</b>	<b>4,480,329</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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31 December 2021

### 22 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 2,353,079 (31 December 2020: SR 1,838,010) has been presented in the statement of financial position.

### 23 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 300 million at 31 December 2021 (31 December 2020: SAR 300 million) consisting of 30 million shares (31 December 2020: 30 million shares) of SAR 10 each.

The Company's Board of Directors recommended on June 4, 2018 to the Extraordinary General Assembly Meeting to increase share capital of the Company by issuing 5 million bonus shares. The Company obtained the Capital Market Authority approval on August 9, 2018. The Extraordinary General Assembly held on January 14, 2019 approved the issuance of 5 million bonus shares amounting to SAR 50 million and thus the share capital increased to SAR 300 million consisting of 30 million shares of SAR 10 each.

The shareholders of the Company are subject 100% to Zakat.

### 24 STATUTORY RESERVE

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

### 25 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year has been calculated by dividing the net income for the year attributed to the shareholders after zakat by the number of issued and outstanding shares (30 million shares) at the year end. The Company has increased its share capital by issuing 5 million bonus shares (note 23) during year 2019, as a result the ordinary shares issued and outstanding as at year ended 31 December 2020 has increased to 30 million shares and the earnings per share.

### 26 DIVIDENDS

No Dividend declared or paid during the year 2021. On 26 September 2019, the Company's Board of Directors proposed to pay a dividend for the year ended 31 December 2018, of SR 1 per share totalling SR 30 Million to its shareholders. This dividend proposal was presented and approved by the shareholders in the General Assembly meeting, held on 27 November 2019, and accordingly the dividend payment was completed on 16 December 2019.

### 27 CONTINGENCIES AND COMMITMENTS

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.

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

31 December 2021

**28 ZAKAT**

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

	<b>2021</b>	2020
	<b>SAR</b>	SAR
At the beginning of the year	<b>30,147,838</b>	32,026,709
Provided during the year	<b>11,456,333</b>	11,327,625
Payments during the year	<b>(8,762,954)</b>	(13,206,496)
At the end of the year	<b>32,841,217</b>	30,147,838

The provision for the year is based on the following:

	<b>2021</b>	2020
	<b>SAR</b>	SAR
Shareholders' equity	<b>430,538,977</b>	424,801,850
Dividends distributed	-	-
Net book value of long term assets, investments and non-current liabilities	<b>(41,557,578)</b>	(52,591,175)
Provisions	<b>47,844,208</b>	46,519,325
	<b>436,825,607</b>	418,730,000
Adjusted income for the year	<b>7,854,024</b>	20,180,777
Zakat base	<b>444,679,631</b>	438,910,777

**Status of assessments**

The Company has filed zakat returns with the General Authority of Zakat and Tax ("ZATCA") for the years from 2010 to 2020.

On review of the zakat return by ZATCA for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. During 2014, ZATCA 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 ZATCA.

On review of the zakat return by the ZATCA for the year 2011, a demand of SAR 2,378,604 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. On February 2019 ZATCA 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 ZATCA for the year 2012, a demand of SAR 1,979,521 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. The final assessments have been carried out by the ZATCA, ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC

On review of the zakat return by the ZATCA for the years 2013 and 2014 a demand of SAR 2,885,577 and SAR 2,885,577 respectively as initial assessments, have been raised by the ZATCA. However, the Company has filed appeals with the ZATCA. As the final assessments for 2013 and 2014 have been issued (in 2020) the 2013/2014 initial assessments have been cancelled automatically.

In 2020 the company received VAT assessments from ZATCA for the FY 2018 and 2019 amounted 3,924,845 VAT plus [1],089,003 VAT delay penalties. Company objected against the assessment and still in procedure. Company paid the VAT assessment and cancelled the penalties as per ZATCA initiatives and continue with the objection. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.



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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

### ZAKAT (CONTINUED)

#### Status of assessments (continued)

In 2020, 2021 the company received zakat and WHT assessments from ZATCA for the FY 2014 to 2020, Company objected against the assessment and still in procedure. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

The summary for the appeals in GSTC:

- From 2014 to 2018 zakat and withholding tax appeal
- For year 2012 zakat appeal
- From February to December 2018 VAT appeal
- From January to December 2019 VAT appeal
- From 2019 to 2020 zakat appeal.

## 29 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.

#### *Risk Management and Audit committees*

Risk management processes throughout the Company are audited annually by the Risk and Internal Audit Departments which examines both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

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.

#### *Motor*

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance excess of loss cover to limit the losses for any individual claim to SAR 1,000,000 (2020: SAR 1,000,000).

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

### 29 RISK MANAGEMENT (CONTINUED)

#### a) Insurance risk (continued)

##### *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 SAR 500,000 (2020: SAR 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 SAR 500,000 (2020: SAR 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 SAR 500,000 (2020: SAR 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 SAR 500,000 (2020: SAR 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 claim's 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 claim's ratio would impact income by approximately SAR 9.72 million (2020: SAR 11.03 million) annually in aggregate.

#### **b) Reinsurance risk**

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors. The criteria may be summarized as follows:

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

31 December 2021

**29 RISK MANAGEMENT (CONTINUED)**

**b) Reinsurance risk (continued)**

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent
- Reputation of particular reinsurance companies
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board before approving them for exchange of reinsurance business. As at December 31, 2021 and 2020, there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

**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.

	<b>2021</b>		<b>2020</b>	
	<b>Insurance'</b>	<b>Shareholders'</b>	<b>Insurance'</b>	<b>Shareholders'</b>
	<b>operations</b>	<b>operations</b>	<b>operations</b>	<b>operations</b>
<b>Assets</b>				
Cash and cash equivalents	171,654,855	66,232,040	86,742,417	45,149,516
Time deposits	125,118,352	208,624,271	274,302,128	14,505,930
Premiums and reinsurers' receivable, net	39,887,814	-	36,267,297	-
Investments	25,044,590	131,635,558	52,732,939	199,708,514
Reinsurers' share of outstanding claims	10,362,152	-	34,868,873	-
Statutory deposit and returns	-	32,353,079	-	31,838,010
Other assets	38,699,771	4,146,615	22,795,872	2,219,964
	<b>410,767,534</b>	<b>442,991,563</b>	<b>507,709,526</b>	<b>293,421,934</b>

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

31 December 2021

**29 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:

	2021					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>ASSETS</b>						
Statutory deposit	-	-	-	-	32,353,079	32,353,079
Prepaid expenses and other assets	38,699,770	-	38,699,770	4,146,615	-	4,146,615
Reinsurers' share of outstanding claims	10,362,152	-	10,362,152	-	-	-
Premiums and reinsurance balances receivable, net	39,887,814	-	39,887,814	-	-	-
Due from insurance operations	-	-	-	36,576,338	-	36,576,338
Investments	19,719,290	5,325,300	25,044,590	116,894,098	14,741,460	131,635,558
Time deposits	125,118,352	-	125,118,352	208,624,271	-	208,624,271
Cash and cash equivalents	171,654,855	-	171,654,855	66,232,040	-	66,232,040
<b>TOTAL ASSETS</b>	<b>405,442,233</b>	<b>5,325,300</b>	<b>410,767,533</b>	<b>432,473,362</b>	<b>47,094,539</b>	<b>479,567,901</b>

	2021					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>LIABILITIES</b>						
Outstanding claims	83,717,517	-	83,717,517	-	-	-
End-of-service benefits	-	12,311,821	12,311,821	-	-	-
Policyholders and accounts payables	39,815,353	-	39,815,353	-	-	-
Reinsurers' balances payable	10,408,950	-	10,408,950	-	-	-
Zakat payable	-	-	-	32,841,217	-	32,841,217
Accrued expenses and other liabilities	20,920,062	-	20,920,062	2,550,351	-	2,550,351
Due to shareholders' operations	36,576,338	-	36,576,338	-	-	-
Statutory deposit investment returns	-	-	-	-	2,353,079	2,353,079
<b>TOTAL LIABILITIES</b>	<b>191,438,220</b>	<b>12,311,821</b>	<b>203,750,041</b>	<b>35,391,568</b>	<b>2,353,079</b>	<b>37,744,647</b>

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

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**29 RISK MANAGEMENT (CONTINUED)**

**d) Liquidity risk (continued)**

	2020					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>ASSETS</b>						
Statutory deposit	-	-	-	-	31,838,010	31,838,010
Prepaid expenses and other assets	22,795,872	-	22,795,872	2,219,964	-	2,219,964
Reinsurers' share of outstanding claims	34,868,873	-	34,868,873	-	-	-
Premiums and reinsurance balances receivable, net	36,267,297	-	36,267,297	-	-	-
Due from insurance operations	-	-	-	185,048,574	-	185,048,574
Investments	46,615,939	6,117,000	52,732,939	178,078,010	21,630,504	199,708,514
Time deposits	274,302,128	-	274,302,128	14,505,930	-	14,505,930
Cash and cash equivalents	86,742,417	-	86,742,417	45,149,516	-	45,149,516
<b>TOTAL ASSETS</b>	<b>501,592,526</b>	<b>6,117,000</b>	<b>507,709,526</b>	<b>425,001,994</b>	<b>53,468,514</b>	<b>478,470,508</b>

	2020					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>LIABILITIES</b>						
Outstanding claims	122,744,363	-	122,744,363	-	-	-
End-of-service benefits	-	16,012,358	16,012,358	-	-	-
Policyholders and accounts payables	26,879,684	-	26,879,684	-	-	-
Reinsurers' balances payable	12,557,417	-	12,557,417	-	-	-
Zakat payable	-	-	-	30,147,838	-	30,147,838
Accrued expenses and other liabilities	12,037,943	-	12,037,943	2,666,451	-	2,666,451
Due to shareholders' operations	185,048,574	-	185,048,574	-	-	-
Statutory deposit investment returns	-	-	-	-	1,838,010	1,838,010
<b>TOTAL LIABILITIES</b>	<b>359,267,981</b>	<b>16,012,358</b>	<b>375,280,339</b>	<b>32,814,289</b>	<b>1,838,010</b>	<b>34,652,299</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 2021. The Company had a floating rate HTM investment of SAR 5,000,000 as at 31 December 2021 (2020: SAR 10,000,000) 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 2021

### 29 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.

The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

#### 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 and investment funds (see note 13a), 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 SAR 4.20 million (2020: SAR 6.10 million) and insurance operations' surplus (for investments held under insurance operations) by Nil as the company sold its DPM Equity portfolio in year 2021. (2020: SAR 1.3 million).

#### h) Capital management

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

The Company 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 year.



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

31 December 2021

**29 RISK MANAGEMENT (CONTINUED)**

**i) Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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

31 December 2021

**30 INSURANCE OPERATING SEGMENTS**

Consistent with the Company's internal reporting process, insurance 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.

<b>For the year ended 31 December 2021</b>	<b>Motor</b>	<b>Medical</b>	<b>Property &amp; Casualty</b>	<b>Total</b>
<b><u>REVENUES</u></b>				
Gross written premiums	166,407,028	81,243,026	43,061,849	290,711,903
Reinsurance premiums ceded				
- Local	-	-	(4,438,472)	(4,438,472)
- Foreign – Direct	-	-	(7,209,957)	(7,209,957)
- Foreign – Through local reinsurance broker	-	-	(18,306,971)	(18,306,971)
Excess of loss premiums				
- Local	(61,262)	(444,077)	(448,328)	(953,667)
- Foreign – Through local reinsurance broker	271,751	(3,996,608)	(2,366,042)	(6,090,899)
<b>Net premiums written</b>	<b>166,617,517</b>	<b>76,802,341</b>	<b>10,292,079</b>	<b>253,711,937</b>
Change in unearned premiums, net	(57,862,432)	(34,000,377)	(106,348)	(91,969,157)
<b>Net premiums earned</b>	<b>108,755,085</b>	<b>42,801,964</b>	<b>10,185,731</b>	<b>161,742,780</b>
Reinsurance commissions earned	-	-	7,511,425	7,511,425
Policy fees	32,440	-	216,436	248,876
Other underwriting income	65,923	99,075	2,304,942	2,469,940
<b><u>TOTAL REVENUES</u></b>	<b>108,853,448</b>	<b>42,901,039</b>	<b>20,218,534</b>	<b>171,973,021</b>
<b><u>UNDERWRITING COSTS</u></b>				
Gross claims paid	(90,624,443)	(31,645,537)	(4,257,064)	(126,527,044)
Reinsurers' share of claims paid	3,252,810	1,881,232	2,154,998	7,289,040
<b>Net claims paid</b>	<b>(87,371,633)</b>	<b>(29,764,305)</b>	<b>(2,102,066)</b>	<b>(119,238,004)</b>
Changes in outstanding claims, net	19,221,272	(5,727,776)	1,026,629	14,520,125
Changes in claims incurred but not reported, net	10,594,876	(766,628)	533,214	10,361,462
<b>Net claims incurred</b>	<b>(57,555,485)</b>	<b>(36,258,709)</b>	<b>(542,223)</b>	<b>(94,356,417)</b>
Changes in premium deficiency reserve	(4,620,905)	1,655,980	405,471	(2,559,454)
Changes in other technical reserves	165,987	(219,247)	385,103	331,843
Policy acquisition costs	(4,069,036)	(4,052,711)	(2,944,050)	(11,065,797)
Inspection and supervision fees	(831,729)	(1,216,425)	(190,875)	(2,239,029)
Third party administrator fees		(2,117,723)	-	(2,117,723)
Other underwriting expenses	(10,171,011)	(3,071,801)	-	(13,242,812)
<b><u>TOTAL UNDERWRITING COSTS</u></b>	<b>(77,082,179)</b>	<b>(45,280,636)</b>	<b>(2,886,574)</b>	<b>(125,249,389)</b>
<b>NET UNDERWRITING SURPLUS/(DEFICIT)</b>	<b>31,771,269</b>	<b>(2,379,597)</b>	<b>17,331,960</b>	<b>46,723,632</b>
Unallocated other operating expenses				(65,929,604)
Unallocated investment and other income				17,184,633
<b>DEFICIT FROM INSURANCE OPERATIONS</b>				<b>(2,021,339)</b>
<b><u>Gross written premiums</u></b>				
Individuals	132,841,519	212,517	429,337	133,483,373
Very small enterprises	1,939,612	80,455,195	1,508,666	83,903,473
Small enterprises	3,846,326	472,059	4,681,997	9,000,382
Medium sized enterprises	3,928,852	51,463	15,970,582	19,950,897
Large enterprises	23,850,719	51,792	20,471,267	44,373,778
<b>Total gross written premiums</b>	<b>166,407,028</b>	<b>81,243,026</b>	<b>43,061,849</b>	<b>290,711,903</b>

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

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

31 December 2021

**30 INSURANCE OPERATING SEGMENTS (CONTINUED)**

For the year ended 31 December 2020	Motor	Medical	Property & Casualty	Total
<b>REVENUES</b>				
Gross written premiums	123,983,203	38,725,358	39,543,365	202,251,926
Reinsurance premiums ceded				
- Local	-	-	(3,775,295)	(3,775,295)
- Foreign – Direct	-	-	(17,959,917)	(17,959,917)
- Foreign – Through local reinsurance broker	-	-	(6,689,096)	(6,689,096)
Excess of loss premiums				
- Local	(478,136)	(339,215)	(616,822)	(1,434,173)
- Foreign – Through local reinsurance broker	(1,939,117)	(3,052,934)	(3,223,466)	(8,215,517)
Net premiums written	121,565,950	35,333,209	7,278,769	164,177,928
Change in unearned premiums, net	11,982,676	11,946,966	1,604,735	25,534,377
Net premiums earned	133,548,626	47,280,175	8,883,504	189,712,305
Reinsurance commissions earned	310,289	-	8,308,751	8,619,040
Policy fees	31,785	-	231,455	263,240
Other underwriting income	1,305,742	2,253,000	2,191,000	5,749,742
<b>TOTAL REVENUES</b>	<b>135,196,442</b>	<b>49,533,175</b>	<b>19,614,710</b>	<b>204,344,327</b>
<b>UNDERWRITING COSTS</b>				
Gross claims paid	(92,611,267)	(57,749,119)	(7,199,362)	(157,559,748)
Reinsurers' share of claims paid	1,294,655	5,373,925	6,020,190	12,688,770
Net claims paid	(91,316,612)	(52,375,194)	(1,179,172)	(144,870,978)
Changes in outstanding claims, net	12,668,865	9,690,611	443,359	22,802,835
Changes in claims incurred but not reported, net	7,990,340	2,651,683	1,093,889	11,735,912
Net claims incurred	(70,657,407)	(40,032,900)	358,076	(110,332,231)
Changes in premium deficiency reserve	(3,205,052)	(1,816,571)	(405,471)	(5,427,094)
Changes in other technical reserves	(689,653)	71,461	17,490	(600,702)
Policy acquisition costs	(5,657,327)	(4,977,897)	(2,457,980)	(13,093,204)
Inspection and supervision fees	(617,526)	(579,185)	(175,757)	(1,372,468)
Third party administrator fees	-	(2,284,576)	-	(2,284,576)
Other underwriting expenses	(86,346,692)	(50,919,949)	(2,761,612)	(140,028,253)
<b>TOTAL UNDERWRITING COSTS</b>	<b>(140,816,550)</b>	<b>(103,225,605)</b>	<b>5,430,259</b>	<b>(238,611,896)</b>
<b>NET UNDERWRITING SURPLUS /(DEFICIT)</b>	<b>49,079,950</b>	<b>(1,386,774)</b>	<b>16,622,898</b>	<b>64,316,074</b>
Unallocated other operating expenses				(60,225,955)
Unallocated investment and other income				13,058,505
<b>SURPLUS FROM INSURANCE OPERATIONS</b>				<b>17,148,624</b>
<b>Gross written premiums</b>				
Individuals	84,652,994	-	397,106	85,050,100
Very small enterprises	4,372,054	38,423,806	2,158,935	44,954,795
Small enterprises	4,999,099	233,115	5,495,715	10,727,929
Medium sized enterprises	2,602,598	47,897	6,410,691	9,061,186
Large enterprises	27,356,458	20,540	25,080,918	52,457,916
<b>Total gross written premiums</b>	<b>123,983,203</b>	<b>38,725,358</b>	<b>39,543,365</b>	<b>202,251,926</b>

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

31 December 2021

**30 INSURANCE OPERATING SEGMENTS (CONTINUED)**

<b>As at December 31, 2021</b>	<b>Motor</b>	<b>Medical</b>	<b>Property &amp; Casualty</b>	<b>Total Insurance Operations</b>
<b><u>ASSETS</u></b>				
Reinsurers' share of unearned premiums	-	-	12,536,185	12,536,185
Reinsurers' share of outstanding claims	4,447,478	1,253,075	4,661,599	10,362,152
Reinsurers' share of claims incurred but not reported	1,338,401	344,948	2,904,040	4,587,389
Deferred policy acquisition costs	2,941,576	4,608,776	1,090,338	8,640,690
<b>Total Segment assets</b>	<b>8,727,455</b>	<b>6,206,799</b>	<b>21,192,162</b>	<b>36,126,416</b>
Unallocated assets				410,236,361
<b>Total insurance operations assets</b>				<b>446,362,777</b>
<b><u>LIABILITIES</u></b>				
Unearned premiums	110,745,182	52,532,129	17,954,772	181,232,083
Unearned reinsurance commission	-	-	1,758,780	1,758,780
Outstanding claims	55,741,799	15,241,691	12,734,027	83,717,517
Claims incurred but not reported	18,761,410	4,195,747	4,438,617	27,395,774
Premium deficiency reserve	18,238,429	8,074,361	-	26,312,790
Other technical reserves	4,061,167	489,248	920,013	5,470,428
<b>Total Segment liabilities</b>	<b>207,547,987</b>	<b>80,533,176</b>	<b>37,806,209</b>	<b>325,887,372</b>
Unallocated liabilities				120,475,405
<b>Total insurance operations liabilities</b>				<b>446,362,777</b>

<b>As at December 31, 2020</b>	<b>Motor</b>	<b>Medical</b>	<b>Property &amp; Casualty</b>	<b>Total Insurance Operations</b>
<b><u>ASSETS</u></b>				
Reinsurers' share of unearned premiums	-	-	15,250,132	15,250,132
Reinsurers' share of outstanding claims	10,240,728	809,986	23,818,159	34,868,873
Reinsurers' share of claims incurred but not reported	2,474,295	94,739	3,225,556	5,794,590
Deferred policy acquisition costs	1,431,112	1,577,695	725,044	3,733,851
<b>Total Segment assets</b>	<b>14,146,135</b>	<b>2,482,420</b>	<b>43,018,891</b>	<b>59,647,446</b>
Unallocated assets				481,127,433
<b>Total insurance operations assets</b>				<b>540,774,879</b>
<b><u>LIABILITIES</u></b>				
Unearned premiums	52,882,750	18,531,752	20,562,371	91,976,873
Unearned reinsurance commission	-	-	1,606,945	1,606,945
Outstanding claims	80,756,321	9,070,826	32,917,216	122,744,363
Claims incurred but not reported	10,298,389	3,178,910	25,487,138	38,964,437
Premium deficiency reserve	13,617,524	9,730,343	405,469	23,753,336
Other technical reserves	4,227,154	270,001	1,305,116	5,802,271
<b>Total Segment liabilities</b>	<b>161,782,138</b>	<b>40,781,832</b>	<b>82,284,255</b>	<b>284,848,225</b>
Unallocated liabilities				255,926,654
<b>Total insurance operations liabilities</b>				<b>540,774,879</b>

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

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

31 December 2021

**31 SUPPLEMENTARY INFORMATION**

**Statement of Financial Position**

**As at 31 December 2021**

	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	171,654,855	66,232,040	237,886,895
Time deposits	125,118,352	208,624,271	333,742,623
Premiums and reinsurers' receivable, net	39,887,814	-	39,887,814
Reinsurers' share of unearned premiums	12,536,185	-	12,536,185
Reinsurers' share of outstanding claims	10,362,152	-	10,362,152
Reinsurers' share of claims incurred but not reported	4,587,389	-	4,587,389
Deferred policy acquisition costs	8,640,690	-	8,640,690
Investments	25,044,590	131,635,558	156,680,148
Due from insurance operations	-	36,576,338	36,576,338
Prepaid expenses and other assets	38,699,770	4,146,615	42,846,385
Right-of-use assets	5,701,429	-	5,701,429
Property, equipment and intangible assets, net	4,129,551	-	4,129,551
Investment in associate	-	597,960	597,960
Statutory deposit	-	30,000,000	30,000,000
Statutory deposit investment returns	-	2,353,079	2,353,079
<b>TOTAL ASSETS</b>	<b>446,362,777</b>	<b>480,165,861</b>	<b>926,528,638</b>
<b>LIABILITIES</b>			
Policyholders and accounts payables	39,815,353	-	39,815,353
Reinsurers' balances payable	10,408,950	-	10,408,950
Accrued expenses and other liabilities	20,920,062	2,550,351	23,470,413
Lease liabilities	5,196,480	-	5,196,480
Unearned premiums	181,232,083	-	181,232,083
Unearned reinsurance commission	1,758,780	-	1,758,780
Outstanding claims	83,717,517	-	83,717,517
Claims incurred but not reported	27,395,774	-	27,395,774
Premium deficiency reserve	26,312,790	-	26,312,790
Other technical reserves	5,470,428	-	5,470,428
Due to shareholders' operations	36,576,338	-	36,576,338
End-of-service benefits	12,311,821	-	12,311,821
Zakat payable	-	32,841,217	32,841,217
Statutory deposit investment returns	-	2,353,079	2,353,079
<b>TOTAL LIABILITIES</b>	<b>451,116,376</b>	<b>37,744,647</b>	<b>488,861,023</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus	-	-	-
Fair value reserve on available for sale investments	(3,705,910)	-	(3,705,910)
Foreign currency translation adjustments	21,649	-	21,649
Accumulated actuarial loss on end-of-service benefits	(1,069,338)	-	(1,069,338)
<b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b>	<b>446,362,777</b>	<b>37,744,647</b>	<b>484,107,424</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	-	300,000,000	300,000,000
Statutory reserve	-	51,584,068	51,584,068
Retained earnings	-	83,268,715	83,268,715
Foreign currency translation adjustments	-	159,784	159,784
Fair value reserve on available for sale investments	-	7,408,647	7,408,647
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>442,421,214</b>	<b>442,421,214</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>446,362,777</b>	<b>480,165,861</b>	<b>926,528,638</b>

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

31 December 2021

**31 SUPPLEMENTARY INFORMATION (CONTINUED)**

Statement of Financial Position	As at 31 December 2020		
	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>			
Cash and cash equivalents	86,742,417	45,149,516	131,891,933
Time deposits	274,302,128	14,505,930	288,808,058
Premiums and reinsurers' receivable, net	36,267,297	-	36,267,297
Reinsurers' share of unearned premiums	15,250,132	-	15,250,132
Reinsurers' share of outstanding claims	34,868,873	-	34,868,873
Reinsurers' share of claims incurred but not reported	5,794,590	-	5,794,590
Deferred policy acquisition costs	3,733,851	-	3,733,851
Investments	52,732,939	199,708,514	252,441,453
Due from insurance operations	-	185,048,574	185,048,574
Prepaid expenses and other assets	22,795,872	2,219,964	25,015,836
Right-of-use assets	4,569,427	-	4,569,427
Property, equipment and intangible assets, net	3,717,353	-	3,717,353
Investment in associate	-	700,618	700,618
Statutory deposit	-	30,000,000	30,000,000
Statutory deposit investment returns	-	1,838,010	1,838,010
<b>TOTAL ASSETS</b>	<b>540,774,879</b>	<b>479,171,126</b>	<b>1,019,946,005</b>
<b>LIABILITIES</b>			
Policyholders and accounts payables	26,879,684	-	26,879,684
Reinsurers' balances payable	12,557,417	-	12,557,417
Accrued expenses and other liabilities	12,037,943	2,666,451	14,704,394
Lease liabilities	4,471,572	-	4,471,572
Unearned premiums	91,976,873	-	91,976,873
Unearned reinsurance commission	1,606,945	-	1,606,945
Outstanding claims	122,744,363	-	122,744,363
Claims incurred but not reported	38,964,437	-	38,964,437
Premium deficiency reserve	23,753,336	-	23,753,336
Other technical reserves	5,802,271	-	5,802,271
Due to shareholders' operations	185,048,574	-	185,048,574
End-of-service benefits	16,012,358	-	16,012,358
Zakat payable	-	30,147,838	30,147,838
Statutory deposit investment returns	-	1,838,010	1,838,010
<b>TOTAL LIABILITIES</b>	<b>541,855,773</b>	<b>34,652,299</b>	<b>576,508,072</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus	1,714,863	-	1,714,863
Fair value reserve on available for sale investments	(77,725)	-	(77,725)
Accumulated actuarial loss on end-of-service benefits	(2,718,032)	-	(2,718,032)
<b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b>	<b>540,774,879</b>	<b>34,652,299</b>	<b>575,427,178</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	-	300,000,000	300,000,000
Statutory reserve	-	50,721,307	50,721,307
Retained earnings	-	79,817,669	79,817,669
Foreign currency translation adjustments	-	208,729	208,729
Fair value reserve on available for sale investments	-	13,771,122	13,771,122
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>444,518,827</b>	<b>444,518,827</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>540,774,879</b>	<b>479,171,126</b>	<b>1,019,946,005</b>



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

31 December 2021

**31 SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of Income**

	2021			2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
<b>REVENUES</b>						
Gross written premiums	290,711,903	-	290,711,903	202,251,926	-	202,251,926
Reinsurance premiums ceded	(29,955,400)	-	(29,955,400)	(28,424,308)	-	(28,424,308)
Excess of loss premiums	(7,044,566)	-	(7,044,566)	(9,649,690)	-	(9,649,690)
<b>Net premiums written</b>	<b>253,711,937</b>	<b>-</b>	<b>253,711,937</b>	<b>164,177,928</b>	<b>-</b>	<b>164,177,928</b>
Changes in unearned premiums, net	(91,969,157)	-	(91,969,157)	25,534,377	-	25,534,377
<b>Net premiums earned</b>	<b>161,742,780</b>	<b>-</b>	<b>161,742,780</b>	<b>189,712,305</b>	<b>-</b>	<b>189,712,305</b>
Reinsurance commissions	7,511,425	-	7,511,425	8,619,040	-	8,619,040
Policy fees	248,876	-	248,876	263,240	-	263,240
Other underwriting income	2,469,940	-	2,469,940	5,749,742	-	5,749,742
<b>TOTAL REVENUES</b>	<b>171,973,021</b>	<b>-</b>	<b>171,973,021</b>	<b>204,344,327</b>	<b>-</b>	<b>204,344,327</b>
<b>UNDERWRITING COSTS</b>						
Gross claims paid	(126,527,044)	-	(126,527,044)	(157,559,748)	-	(157,559,748)
Reinsurers' share of claims paid	7,289,040	-	7,289,040	12,688,770	-	12,688,770
<b>Net claims paid</b>	<b>(119,238,004)</b>	<b>-</b>	<b>(119,238,004)</b>	<b>(144,870,978)</b>	<b>-</b>	<b>(144,870,978)</b>
Changes in outstanding claims, net	14,520,125	-	14,520,125	22,802,835	-	22,802,835
Changes in claims incurred but not reported, net	10,361,462	-	10,361,462	11,735,912	-	11,735,912
<b>Net claims incurred</b>	<b>(94,356,417)</b>	<b>-</b>	<b>(94,356,417)</b>	<b>(110,332,231)</b>	<b>-</b>	<b>(110,332,231)</b>
Changes in premiums deficiency reserve	(2,559,454)	-	(2,559,454)	(5,427,094)	-	(5,427,094)
Changes in other technical reserves	331,843	-	331,843	(600,702)	-	(600,702)
Policy acquisition costs	(11,065,797)	-	(11,065,797)	(13,093,204)	-	(13,093,204)
Inspection and supervision fees	(2,239,029)	-	(2,239,029)	(1,372,468)	-	(1,372,468)
Third party administrator fees	(2,117,723)	-	(2,117,723)	(2,284,576)	-	(2,284,576)
Other underwriting expenses	(13,242,812)	-	(13,242,812)	(6,917,978)	-	(6,917,978)
<b>TOTAL UNDERWRITING COSTS</b>	<b>(125,249,389)</b>	<b>-</b>	<b>(125,249,389)</b>	<b>(140,028,253)</b>	<b>-</b>	<b>(140,028,253)</b>
<b>NET UNDERWRITING SURPLUS</b>	<b>46,723,632</b>	<b>-</b>	<b>46,723,632</b>	<b>64,316,074</b>	<b>-</b>	<b>64,316,074</b>
<b>OTHER OPERATING (EXPENSES)/INCOME</b>						
Reversal of doubtful debts provision	606,160	-	606,160	1,621,956	-	1,621,956
General and administrative expenses	(66,535,764)	(4,758,271)	(71,294,035)	(61,847,911)	(3,555,179)	(65,403,090)
Investment income	16,944,078	23,871,191	40,815,269	10,697,237	10,318,960	21,016,197
Impairment of available for sale investments	-	(1,218,783)	(1,218,783)	(164,080)	(5,531,398)	(5,695,478)
Share of profit/(loss) of associate	-	(102,658)	(102,658)	-	398,607	398,607
Other income	240,555	-	240,555	2,525,348	-	2,525,348
<b>TOTAL OTHER OPERATING INCOME/ (EXPENSES)</b>	<b>(48,744,971)</b>	<b>17,791,479</b>	<b>(30,953,492)</b>	<b>(47,167,450)</b>	<b>1,630,990</b>	<b>(45,536,460)</b>
<b>Total (loss)/income before surplus attribution and zakat</b>	<b>(2,021,339)</b>	<b>17,791,479</b>	<b>15,770,140</b>	<b>17,148,624</b>	<b>1,630,990</b>	<b>18,779,614</b>
<b>Deficit attributable to shareholders</b>	<b>2,021,339</b>	<b>(2,021,339)</b>	<b>-</b>	<b>(15,433,761)</b>	<b>15,433,761</b>	<b>-</b>
<b>Net income before zakat</b>	<b>-</b>	<b>15,770,140</b>	<b>15,770,140</b>	<b>1,714,863</b>	<b>17,064,751</b>	<b>18,779,614</b>
<b>Zakat charge</b>	<b>-</b>	<b>(11,456,333)</b>	<b>(11,456,333)</b>	<b>-</b>	<b>(11,327,625)</b>	<b>(11,327,625)</b>
<b>Net income after zakat</b>	<b>-</b>	<b>4,313,807</b>	<b>4,313,807</b>	<b>1,714,863</b>	<b>5,737,126</b>	<b>7,451,989</b>

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

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

31 December 2021

**31 SUPPLEMENTARY INFORMATION (CONTINUED)**

Statement of Comprehensive Income	2021			2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net income after zakat	-	4,313,807	4,313,807	1,714,863	5,737,126	7,451,989
<b>Other comprehensive income/(loss)</b>						
<i>Items that will be reclassified to statements of income in subsequent years</i>						
Available for sale investments:						
- Net amounts transferred to statement of income	(11,034,144)	(10,051,811)	(21,085,955)	(1,591,414)	8,496	(1,582,918)
- Foreign currency translation adjustments	21,649	(48,945)	(27,296)	-	208,729	208,729
- Net change in fair value	7,405,959	3,689,336	11,095,295	3,172,580	405,072	3,577,652
	(3,606,536)	(6,411,420)	(10,017,956)	1,581,166	622,297	2,203,463
<i>Items that will not be reclassified to statements of income in subsequent years</i>						
Actuarial (loss)/gain on end-of-service benefits	1,648,694	-	1,648,694	(484,275)	-	(484,275)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(1,957,842)</b>	<b>(2,097,613)</b>	<b>(4,055,455)</b>	<b>2,811,754</b>	<b>6,359,423</b>	<b>9,171,177</b>

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

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

31 December 2021

**31 SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of Cash Flows**

	2021		
	Insurance Operations	Shareholders' Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before zakat	-	15,770,140	15,770,140
<i>Adjustments for non-cash items:</i>			
Deficit attributable to the shareholders	(2,021,339)	2,021,339	-
Depreciation of property, equipment and intangible assets	1,459,936	-	1,459,936
Reversal of doubtful debts provision	(606,160)	-	(606,160)
Provision for end-of-service benefits	2,605,344	-	2,605,344
Realized gain from investments	(11,034,144)	(10,051,811)	(21,085,955)
Impairment of available for sale investments	-	1,218,783	1,218,783
Share of loss of associate	-	102,658	102,658
Gain on disposal of property and equipment	(121,968)	-	(121,968)
Right-of-use depreciation	1,608,617	-	1,608,617
Interest expense on lease liability	115,453	-	115,453
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable	(3,014,357)	-	(3,014,357)
Reinsurers' share of unearned premiums	2,713,947	-	2,713,947
Reinsurers' share of outstanding claims	24,506,721	-	24,506,721
Reinsurers' share of claims incurred but not reported	1,207,201	-	1,207,201
Deferred policy acquisition costs	(4,906,839)	-	(4,906,839)
Prepaid expenses and other assets	(15,903,898)	(1,926,651)	(17,830,549)
Right-of-use assets	(2,740,619)	-	(2,740,619)
Policyholders and accounts payables	12,935,669	-	12,935,669
Reinsurers' balances payable	(2,148,467)	-	(2,148,467)
Accrued expenses and other liabilities	8,882,120	(116,101)	8,766,019
Unearned premiums	89,255,210	-	89,255,210
Unearned reinsurance commission	151,835	-	151,835
Outstanding claims	(39,026,846)	-	(39,026,846)
Claims incurred but not reported	(11,568,663)	-	(11,568,663)
Premium deficiency reserve	2,559,454	-	2,559,454
Other technical reserves	(331,843)	-	(331,843)
	54,576,364	7,018,357	61,594,721
End-of-service indemnities paid	(4,657,186)	-	(4,657,186)
Insurance surplus paid	(1,714,863)	-	(1,714,863)
Zakat paid	-	(8,762,953)	(8,762,953)
<b>Net cash generated/(used) in operating activities</b>	<b>48,204,315</b>	<b>(1,744,596)</b>	<b>46,459,719</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Additions)/disposals in time deposits	149,183,776	(194,118,341)	(44,934,565)
Additions in investments	(62,793,195)	(7,511,929)	(70,305,124)
Proceeds from available for sale investments	97,909,152	78,006,493	175,915,645
Additions in property and equipment	(2,000,125)	-	(2,000,125)
Proceeds from disposal of fixed assets	249,957	-	249,957
<b>Net cash generated/(used in) from investing activities</b>	<b>182,549,565</b>	<b>(123,623,777)</b>	<b>58,925,788</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities	609,455	-	609,455
Due to shareholders' operations	(146,450,897)	146,450,897	-
<b>Net cash (used)/generated in financing activities</b>	<b>(145,841,442)</b>	<b>146,450,897</b>	<b>609,455</b>
Net change in cash and cash equivalents	84,912,438	21,082,524	105,994,962
Cash and cash equivalents, beginning of the year	86,742,417	45,149,516	131,891,933
<b>Cash and cash equivalents, end of the year</b>	<b>171,654,855</b>	<b>66,232,040</b>	<b>237,886,895</b>
<b>Non-cash transactions:</b>			
Change in fair value of available for sale investments	(3,628,185)	(6,362,475)	(9,990,660)
Foreign currency translation adjustments	21,649	(48,945)	(27,296)

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

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**31 SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of Cash Flows**

	2020		
	Insurance Operations	Shareholders' Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before zakat	1,714,863	17,064,751	18,779,614
<i>Adjustments for non-cash items:</i>			
Surplus attributable to the shareholders	15,433,761	(15,433,761)	-
Depreciation of property and equipment	1,682,030	-	1,682,030
Reversal of doubtful debts provision	(1,621,956)	-	(1,621,956)
Provision for end-of-service indemnities	2,933,123	-	2,933,123
Realized gain from investments	(1,591,414)	8,496	(1,582,918)
Impairment of available for sale investments	164,080	5,531,398	5,695,478
Share of loss of associate	-	(398,607)	(398,607)
Loss on disposal of property and equipment	37,980	-	37,980
Right-of-use depreciation	1,753,574	-	1,753,574
Interest expense on lease liability	116,595	-	116,595
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable	14,456,125	-	14,456,125
Reinsurers' share of unearned premiums	4,601,662	-	4,601,662
Reinsurers' share of outstanding claims	14,095,340	-	14,095,340
Reinsurers' share of claims incurred but not reported	2,391,406	-	2,391,406
Deferred policy acquisition costs	2,224,692	-	2,224,692
Prepaid expenses and other assets	(2,933,607)	581,328	(2,352,279)
Right-of-use assets	(87,391)	-	(87,391)
Policyholders and accounts payables	(594,835)	-	(594,835)
Reinsurers' balances payable	(3,544,443)	-	(3,544,443)
Accrued expenses and other liabilities	(8,539,007)	(34,164)	(8,573,171)
Unearned premiums	(30,136,039)	-	(30,136,039)
Unearned reinsurance commission	(196,650)	-	(196,650)
Outstanding claims	(36,898,175)	-	(36,898,175)
Claims incurred but not reported	(14,127,318)	-	(14,127,318)
Premium deficiency reserve	5,427,094	-	5,427,094
Other technical reserves	600,702	-	600,702
	(32,637,808)	7,319,440	(25,318,367)
End-of-service indemnities paid	(359,010)	-	(359,010)
Insurance surplus paid	(467,978)	-	(467,978)
Zakat paid	-	(13,206,496)	(13,206,496)
<b>Net cash used in operating activities</b>	<b>(33,464,796)</b>	<b>(5,887,055)</b>	<b>(39,351,851)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Additions)/disposals in time deposits	76,020,569	(443,055)	75,577,514
Additions in investments	(58,809,636)	(20,672,820)	(79,482,456)
Proceeds from available for sale investments	39,646,573	13,255,278	52,901,851
Proceeds from disposal of fixed assets	4,149	-	4,149
Additions in property and equipment	(1,592,166)	-	(1,592,166)
<b>Net cash generated/(used in) from investing activities</b>	<b>55,269,489</b>	<b>(7,860,597)</b>	<b>47,408,892</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities	(1,625,846)	-	(1,625,846)
Due to shareholders' operations	(4,405,291)	4,405,291	-
<b>Net cash used in financing activities</b>	<b>(6,031,137)</b>	<b>4,405,291</b>	<b>(1,625,846)</b>
Net change in cash and cash equivalents	15,773,556	(9,342,361)	6,431,195
Cash and cash equivalents, beginning of the year	70,968,861	54,491,877	125,460,738
<b>Cash and cash equivalents, end of the year</b>	<b>86,742,417</b>	<b>45,149,516</b>	<b>131,891,933</b>
<b>Non-cash transactions:</b>			
Change in fair value of available for sale investments	1,581,166	413,568	1,994,734
Foreign currency translation adjustments	-	208,729	208,729

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

### 32 IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021. The Company's management continues to monitor the situation closely.

- **Credit risk management**

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Foods
- Airlines
- Freight companies
- Hotels
- Retail
- Construction
- Entertainment
- Tourism

- **Liquidity Risk**

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

### 33 COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current period presentations.

### 34 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 06 March, 2022 (corresponding to 03 Sha'ban 1443H).