

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2019**

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2019

<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3
Interim Condensed Statement of Comprehensive Income	4
Interim Condensed Statement of Changes in Equity	5 – 6
Interim Condensed Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 38



**KPMG Al Fozan & Partners**

Certified Public Accountants  
License No. 46/11/323  
Issued 11/3/1992  
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Jeddah 21534  
Kingdom of Saudi Arabia



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Jeddah 21441  
Saudi Arabia  
Registration Number: 45

## INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Bupa Arabia for Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2019, and the related interim condensed statements of income, comprehensive income for the three-month and nine-month periods then ended, the related interim condensed statements of changes in equity and cash flow for the nine-month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for KPMG Al Fozan & Partners  
Certified Public Accountants

Ebrahim Oboud Baeshen  
Certified Public Accountant  
License No. 382

for Ernst & Young & Co.  
(Public Accountants)

Ahmed I. Reda  
Certified Public Accountant  
License No. 356



Jeddah – Kingdom of Saudi Arabia  
9 Rabi' I 1441 H

Corresponding to 6 November 2019



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2019

	<i>Notes</i>	<i>30 September 2019 (Unaudited) SAR'000</i>	<i>31 December 2018 (Audited) (Restated) SAR'000</i>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	1,283,712	290,413
Premiums receivable – net	5	2,304,278	950,671
Reinsurers' share of unearned premiums	9.1	11,666	6,320
Reinsurers' share of outstanding claims	9.2	884	336
Reinsurers' share of claims incurred but not reported	9.2	2,634	2,678
Deferred policy acquisition costs		140,329	118,323
Investments	6	1,980,092	1,621,491
Prepaid expenses and other assets		271,231	202,985
Term deposits	7	3,915,903	4,715,281
Fixtures, Furniture and Right-of-use assets – net	3.b	172,777	81,243
Intangible assets – net		57,294	57,273
Deferred tax asset	15	33,982	25,552
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	9,814	6,882
<b>TOTAL ASSETS</b>		<b>10,402,596</b>	<b>8,297,448</b>
<b><u>LIABILITIES</u></b>			
Accrued and other liabilities		405,890	285,809
Insurance operations' surplus payable		165,997	139,755
Reinsurers' balances payable		92,457	50,636
Unearned premiums	9.1	4,939,402	3,428,131
Outstanding claims	9.2	484,364	555,158
Claims incurred but not reported	9.2	957,545	898,123
Claims handling reserve	9.2	18,400	19,400
Due to related parties	14	58,450	41,095
Provision for end-of-service benefits		89,634	81,395
Provision for zakat and income tax	15	242,121	199,784
Accrued income payable to SAMA	8	9,814	6,882
<b>TOTAL LIABILITIES</b>		<b>7,464,074</b>	<b>5,706,168</b>
<b><u>EQUITY</u></b>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	18	609,111	609,111
Share based payments		18,326	17,579
Shares held under employees share scheme		(42,539)	(32,662)
Retained earnings		1,142,078	836,705
Re-measurement reserve of end-of-service benefits		(8,922)	(8,922)
Investments fair value reserve – related to shareholders		6,657	(21,942)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,924,711</b>	<b>2,599,869</b>
Investments fair value reserve – related to policyholders		13,811	(8,589)
<b>TOTAL EQUITY</b>		<b>2,938,522</b>	<b>2,591,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,402,596</b>	<b>8,297,448</b>

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)  
For the three-month and nine-month periods ended 30 September 2019

	Notes	<i>Three-months period ended 30 September</i>		<i>Nine-months period ended 30 September</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>SAR'000</i>	<i>(Restated) SAR'000</i>	<i>SAR'000</i>	<i>(Restated) SAR'000</i>
<b>REVENUES</b>					
Gross premiums written		3,076,443	2,831,881	8,420,692	7,340,649
Reinsurance premiums ceded – Local		(2,683)	(989)	(7,773)	(7,155)
Reinsurance premiums ceded – International		(17,648)	(16,624)	(63,675)	(54,258)
<b>Net premiums written</b>		<b>3,056,112</b>	<b>2,814,268</b>	<b>8,349,244</b>	<b>7,279,236</b>
Changes in unearned premiums – net		(694,874)	(718,641)	(1,505,925)	(1,271,825)
<b>Net premiums earned</b>	9.1	<b>2,361,238</b>	<b>2,095,627</b>	<b>6,843,319</b>	<b>6,007,411</b>
<b>UNDERWRITING COSTS &amp; EXPENSES</b>					
Gross claims paid		(1,820,441)	(1,832,005)	(5,603,733)	(4,814,858)
Reinsurers' share of claims paid		12,449	--	37,346	12,600
<b>Net claims paid</b>		<b>(1,807,992)</b>	<b>(1,832,005)</b>	<b>(5,566,387)</b>	<b>(4,802,258)</b>
Changes in outstanding claims		103,293	170,627	70,794	(126,621)
Changes in claims incurred but not reported		(156,239)	26,982	(59,422)	28,912
Changes in claims handling reserves		125	--	1,000	--
Reinsurance share of changes in outstanding claims		423	468	547	460
Reinsurance share of changes in claims incurred but not reported		(85)	1,688	(44)	1,696
<b>Net claims incurred</b>		<b>(1,860,475)</b>	<b>(1,632,240)</b>	<b>(5,553,512)</b>	<b>(4,897,811)</b>
Policy acquisition costs		(54,380)	(43,393)	(165,737)	(139,666)
<b>Total underwriting costs &amp; expenses</b>		<b>(1,914,855)</b>	<b>(1,675,633)</b>	<b>(5,719,249)</b>	<b>(5,037,477)</b>
<b>NET UNDERWRITING INCOME</b>		<b>446,383</b>	<b>419,994</b>	<b>1,124,070</b>	<b>969,934</b>
<b>Other operating (expenses)/ income</b>					
Allowance for doubtful receivables		(17,429)	(4,098)	(90,480)	(93,773)
General and administrative expenses		(118,333)	(104,547)	(339,482)	(310,837)
Selling and marketing expenses		(89,240)	(90,117)	(264,300)	(233,970)
Investment income – net		60,051	43,825	178,594	132,875
Other income – net		4,546	4,469	15,546	9,542
<b>Total other operating (expenses)/ income</b>		<b>(160,405)</b>	<b>(150,468)</b>	<b>(500,122)</b>	<b>(496,163)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>		<b>285,978</b>	<b>269,526</b>	<b>623,948</b>	<b>473,771</b>
<b>Income attributed to the insurance operations (transfer to surplus payable)</b>	1	<b>(25,574)</b>	<b>(24,746)</b>	<b>(53,347)</b>	<b>(40,780)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>		<b>260,404</b>	<b>244,780</b>	<b>570,601</b>	<b>432,991</b>
Zakat charge	15	(13,307)	(8,749)	(37,458)	(34,036)
Income tax charge	15	(20,514)	(9,606)	(45,001)	(28,360)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>		<b>226,583</b>	<b>226,425</b>	<b>488,142</b>	<b>370,595</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,594</b>	<b>119,655</b>	<b>119,595</b>	<b>119,650</b>
<b>Basic earnings per share (Expressed in SAR per Share)</b>	20	<b>1.89</b>	<b>1.89</b>	<b>4.08</b>	<b>3.10</b>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2019

	<i>Three-months period ended 30 September</i>		<i>Nine-months period ended 30 September</i>	
				<i>Restated</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>226,583</b>	<b>226,425</b>	<b>488,142</b>	<b>370,595</b>
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>				
Net changes in fair value of available-for- sale investments:				
- related to shareholders	<b>3,633</b>	<b>(5,412)</b>	<b>28,599</b>	<b>(12,048)</b>
- related to policyholders	<b>4,781</b>	<b>1,332</b>	<b>22,400</b>	<b>(6,772)</b>
	<b>8,414</b>	<b>(4,080)</b>	<b>50,999</b>	<b>(18,820)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>234,997</b>	<b>222,345</b>	<b>539,141</b>	<b>351,775</b>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

For nine-months period ended 30 September 2019

	Related to shareholders							Investments fair value – reserve – related to policyholders SAR'000	Total equity SAR'000
	Share capital SAR'000	Statutory reserve SAR'000	Share based payments SAR'000	Shares held under employees share scheme SAR'000	Retained earnings SAR'000	Re- measurement reserve of end- of-service benefits SAR'000	Investments fair value reserve SAR'000		
<b>Balance at 31 December 2018 (audited)</b>	1,200,000	609,111	17,579	(32,662)	811,153	(8,922)	(21,942)	2,574,317	2,565,728
Effect of restatements (note 3.a)	--	--	--	--	25,552	--	--	25,552	25,552
Impact of adopting IFRS 16 at 1 January 2019 (note 3.b)	--	--	--	--	(8,900)	--	--	(8,900)	(8,900)
<b>Balance at 1 January 2019 (restated)</b>	1,200,000	609,111	17,579	(32,662)	827,805	(8,922)	(21,942)	2,590,969	2,582,380
<b>Total comprehensive income for the period</b>	--	--	--	--	488,142	--	--	488,142	488,142
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	488,142	--	--	488,142	488,142
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	28,599	28,599	50,999
Total comprehensive income for the period	--	--	--	--	488,142	--	28,599	516,741	539,141
Share based payment transactions	--	--	8,614	--	--	--	--	8,614	8,614
Delivery of shares under LTIP	--	--	(7,867)	7,867	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(17,744)	--	--	--	(17,744)	(17,744)
Dividends paid (note 17)	--	--	--	--	(180,000)	--	--	(180,000)	(180,000)
Income tax recovered from non-Saudi shareholders	--	--	--	--	6,131	--	--	6,131	6,131
<b>Balance at 30 September 2019 (unaudited)</b>	1,200,000	609,111	18,326	(42,539)	1,142,078	(8,922)	6,657	2,924,711	2,938,522

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

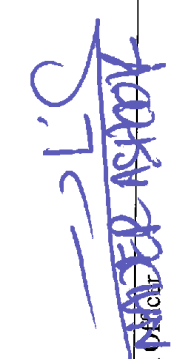
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)**

For nine-months period ended 30 September 2019

	Related to shareholders										Investments fair value reserve – related to Policyholders SAR '000	Total Equity SAR '000
	Share capital SAR '000	Statutory reserve SAR '000	Share based payments SAR '000	Shares held under employees share scheme SAR '000	Retained earnings SAR '000	Re- measurement reserve of end- of-service benefits SAR '000	Investments fair value reserve SAR '000	Shareholders' Equity SAR '000	Total Equity SAR '000	Investments fair value reserve – related to Policyholders SAR '000		
Balance at 31 December 2017 as previously reported (audited)	800,000	504,025	17,220	(28,915)	1,030,887	--	(1,880)	2,321,337	713	2,322,050		
Effect of restatements (note 3.a)	--	--	--	--	19,161	--	--	19,161	--	19,161		
Balance at 31 December 2017 (restated)	800,000	504,025	17,220	(28,915)	1,050,048	--	(1,880)	2,340,498	713	2,341,211		
Total comprehensive income for the period	--	--	--	--	370,595	--	--	370,595	--	370,595		
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	370,595	--	--	370,595	--	370,595		
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	(12,048)	(12,048)	(6,772)	(18,820)		
Total comprehensive income/(loss) for the period	--	--	--	--	370,595	--	(12,048)	358,547	(6,772)	351,775		
Share based payment transactions	--	--	5,840	--	--	--	--	5,840	--	5,840		
Delivery of shares under LTIP	--	--	(7,747)	7,747	--	--	--	--	--	--		
Purchase of shares under LTIP	--	--	--	(11,494)	--	--	--	(11,494)	--	(11,494)		
Dividends paid (note 17)	--	--	--	--	(160,000)	--	--	(160,000)	--	(160,000)		
Income tax recovered from non-Saudi shareholders	--	--	--	--	6,131	--	--	6,131	--	6,131		
Balance at 30 September 2018 (unaudited)	800,000	504,025	15,313	(32,662)	1,266,774	--	(13,928)	2,539,522	(6,059)	2,533,463		

Chairman



Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
 For nine-months period ended 30 September 2019

	Notes	Nine-months period ended 30	
		September 2019 SAR'000	2018 SAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributed to shareholders after zakat and income tax		488,142	370,595
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		53,347	40,780
Zakat charge		37,458	34,036
Income tax charge – net		45,001	28,360
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets		23,153	10,353
Amortization of intangible assets		13,109	4,540
Gain on disposal of Fixtures and Furniture		(1)	--
Provision for LTIP		8,614	5,840
Allowance for doubtful receivables provision		90,480	93,773
Unrealized gains on investments held as FVSI		(8,361)	(5,359)
Realized gains on investments		(7,598)	(9,184)
Provision for end-of-service benefits		13,161	12,579
Finance cost		4,006	--
		<b>760,511</b>	<b>586,313</b>
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(1,444,087)	(1,500,484)
Reinsurers' share of unearned premiums		(5,346)	(3,725)
Reinsurers' share of outstanding claims		(548)	(460)
Reinsurers' share of claims incurred but not reported		44	(1,696)
Deferred policy acquisition costs		(22,006)	(29,079)
Prepaid expenses and other assets		(68,246)	(4,772)
Accrued and other liabilities		28,560	105,512
Reinsurers' balances payable		41,821	38,290
Unearned premiums		1,511,271	1,275,550
Outstanding claims		(70,794)	126,621
Claims incurred but not reported		59,422	(28,912)
Claims handling reserve		(1,000)	--
Due to related parties		14,367	6,242
End-of-service benefits paid		(4,922)	(8,341)
Surplus paid to policyholders		(27,105)	(41,700)
Zakat and income tax paid		(48,552)	(28,133)
<b>Net cash generated from operating activities</b>		<b>723,390</b>	<b>491,226</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits	7	(2,062,489)	(3,661,298)
Proceeds from maturity of term deposits	7	2,861,867	3,378,530
Additions to investments	6	(2,171,015)	(1,389,129)
Disposals of investments		1,879,371	1,507,756
Additions to Fixtures, Furniture and Right-of-use assets		(11,591)	(4,025)
Disposal of Fixtures, Furniture and Right-of-use assets		101	--
Intangible assets acquired		(13,130)	(11,229)
Purchase of shares under LTIP		(17,744)	(11,494)
<b>Net cash generated from/(used in) investing activities</b>		<b>465,370</b>	<b>(190,889)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability paid		(24,580)	--
Dividends paid	17	(180,000)	(160,000)
Income tax recovered from non-Saudi shareholders		9,119	6,131
<b>Net cash used in financing activities</b>		<b>(195,461)</b>	<b>(153,869)</b>
Net change in cash and cash equivalents		993,299	146,468
Cash and cash equivalents at beginning of the period		290,413	229,884
<b>Cash and cash equivalents at end of the period</b>		<b>1,283,712</b>	<b>376,352</b>
<b>Non-cash transactions</b>			
Unrealized gains / (losses) on available-for-sale investments		50,999	(18,820)
Recognition of Lease liability	3.b	112,096	--
Recognition of Right-of-use assets	3.b	103,196	--

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 23 an integral part of these interim condensed financial statements.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019

### 1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Bupa Arabia for Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Investment’s Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khaleidiah District,  
Prince Saud Al Faisal Street,  
Front of Saudi Airlines Cargo Building,  
P.O. Box 23807, Jeddah 21436,  
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Authority (“SAMA”), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The interim condensed financial statements of the Company has been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Certified Public Accountants (“SOCPA”). The financial statements of the Company as at and for the three-months period ended 31 March 2019 and year ended 31 December 2018, respectively, were prepared in compliance with IAS 34 and ‘International Financial Reporting Standards’ (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax’ (relating to application of IAS 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax).

The company has updated its accounting policy to account for zakat and income taxes in the statement of income based on the recent instructions issued. This aligns with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other pronouncements and standards endorsed by Saudi Organization of Certified Public Accountants (“SOCPA”). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through statement of income (FVSI) and available-for-sale investments. The Company’s interim condensed statement of financial position is presented in order of liquidity. Except for available-for-sale investments, fixtures, furniture and Right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

## 2. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses attributable to either operation, are recorded in the respective accounts. Note 21 to these interim condensed financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2018.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

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

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimation uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2018.

### (c) Seasonality of operations

Due to the seasonality of operations, operating profits are expected to fluctuate from one period to another.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018, except for the change in the accounting of zakat and income tax and new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

### a) *Changes in the accounting for zakat and income tax*

As mentioned above, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively. The change has resulted in increase of reported income of the Company for the period ended 30 September 2018 by SR 2.9 million. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### a) *Changes in the accounting for zakat and income tax (continued)*

The accounting policy for zakat and income tax adopted by the Company is as follows:

#### ***Zakat and Income Tax***

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

#### ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

The Interpretation did not have an impact on the interim condensed financial statements of the Company.

#### ***Deferred Tax***

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Changes in the accounting for zakat and income tax (continued)**

**Deferred Tax (continued)**

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

**Impact on the interim financial statements**

The change in the accounting treatment for zakat and income tax has the following impact:

As at and for the Nine-month period ended 30 September 2018

<u>Financial Statement Impacted</u>	<u>Account</u>	<u>Before the restatement SAR'000</u>	<u>Effect of restatement SAR'000</u>	<u>After restatement SAR'000</u>
Statement of changes in equity	Provision for zakat and income tax (retained earnings)	65,291	(65,291)	--
Statement of income	Zakat and income tax charge	--	(62,396)	(62,396)
Statement of income	Earnings per share	3.63	(0.53)	3.10
Statement of financial position	Deferred tax asset	--	22,056	22,056

For the Three-month period ended 30 September 2018

<u>Financial Statement Impacted</u>	<u>Account</u>	<u>Before the restatement SAR'000</u>	<u>Effect of restatement SAR'000</u>	<u>After restatement SAR'000</u>
Statement of income	Zakat and income tax charge	--	(18,355)	(18,355)
Statement of income	Earnings per share	2.04	(0.15)	1.89

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Changes in the accounting for zakat and income tax (continued)**

**Impact on the interim financial statements (continued)**

As at 31 December 2018

<u>Financial Statement Impacted</u>	<u>Account</u>	<u>Before the restatement SAR '000</u>	<u>Effect of restatement SAR '000</u>	<u>After restatement SAR '000</u>
Statement of financial position	Deferred tax asset	--	25,552	25,552
Statement of financial position	Retained earnings	811,153	25,552	836,705

As at 1 January 2018

<u>Financial Statement Impacted</u>	<u>Account</u>	<u>Before the restatement SAR '000</u>	<u>Effect of restatement SAR '000</u>	<u>After restatement SAR '000</u>
Statement of financial position	Deferred tax asset	--	19,161	19,161
Statement of financial position	Retained earnings	1,030,887	19,161	1,050,048

**b) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company**

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2019 and accordingly adopted by the Company, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 16	Leases (see below)
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle.

The adoption of the amended standards and interpretations applicable to the Company except for adoption of IFRS 16 did not have any significant impact on these interim condensed financial statements.

**IFRS 16 – Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4- Determining Whether an Agreement Contains a Lease. SIC 15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company (continued)**

**IFRS 16 – Leases (continued)**

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. In accordance with the modified retrospective method of adoption, the Company applied IFRS 16 at the date of initial application with transition impact recognized in the retained earnings. Accordingly, the comparative information in these interim condensed financial statements has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Upon adoption of IFRS 16, the Company recognised lease liabilities to make lease payments and Right-of-use assets representing the right to use the underlying assets.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	<u>2019</u> <u>SAR '000</u>
<b>Assets</b>	
Right-of-use assets	<u>103,196</u>
<b>Liabilities</b>	
Lease liabilities	<u>112,096</u>
<b>Equity</b>	
Retained earning	<u>(8,900)</u>

The Company has lease contracts for its office premises. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepaid expenses and other assets and accrued and other liabilities, respectively.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<u>2019</u> <u>SAR '000</u>
Operating leases commitments as of 31 December 2018	150,363
Adjustment to the operating lease commitments	<u>(24,150)</u>
Total Commitments	126,213
Weighted average incremental borrowing rate as at 1 January 2019	5%
<b>Discounted operating lease commitments at 1 January 2019</b>	<b>112,096</b>

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognises Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of Right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are included within Fixtures, Furniture and Right-of-use assets.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company (continued)**

***IFRS 16 – Leases (continued)***

*Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within the accrued and other liabilities.

*Where the Company is lessee*

All leases entered into by the Company are operating leases. Payments made under operating leases are charged to the interim condensed statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognised as an expense in the period in which termination takes place.

*Significant judgement in determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

***Amounts recognized in the interim condensed statements of financial position and interim condensed statement of income***

Set out below, are the movement and carrying amounts of the Company's Right-of-use assets and lease liabilities. The Company presents Right-of-use assets under Fixtures, Furniture and Right-of-use assets in the interim condensed statement of financial position. Lease liabilities are presented under accrued expenses and other liabilities.

**Interim condensed statement of financial position**

	<i>Right-of-use assets SAR'000</i>	<i>Lease liabilities SAR'000</i>
As at 1 January 2019	103,196	112,096
Amortization of Right-of-use assets	(11,858)	--
Finance cost	--	4,006
Lease settlement	--	(24,580)
As at 30 September 2019	<u>91,338</u>	<u>91,522</u>



# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) *Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	See note below
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022

### **IFRS 9 - Financial Instruments**

In July 2014, the IASB published IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, introduces an expected credit loss (ECL) impairment model which replaces the incurred loss model of IAS 39, and new hedge accounting requirements under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

	<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<b>72,455</b>	<b>119,510</b>	<b>191,965</b>
Term deposit	<b>845,946</b>	<b>245,801</b>	<b>1,091,747</b>
	<b>918,401</b>	<b>365,311</b>	<b>1,283,712</b>

	<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<b>272,527</b>	<b>17,886</b>	<b>290,413</b>

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the nine-months period ended 30 September 2019, the insurance operations transferred cash of SR 63.5 million to the shareholders' operations (31 December 2018: SR 99 million).

**5. PREMIUMS RECEIVABLE - NET**

Receivables amounts due from the following:

	<i>30 September 2019 (Unaudited)</i>	<i>31 December 2018 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Policyholders	<b>2,014,864</b>	755,292
Brokers	<b>539,493</b>	364,610
Related parties (note 14)	<b>4,922</b>	--
	<b>2,559,279</b>	1,119,902
Provision for doubtful receivables	<b>(255,001)</b>	(169,231)
<b>Premiums receivable – net</b>	<b>2,304,278</b>	950,671

**6. INVESTMENTS**

Investments are classified as follows:

	<i>30 September 2019 (Unaudited)</i>			<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>					
Held as FVSI	<b>351,532</b>	<b>126,005</b>	<b>477,537</b>	249,284	131,110	380,394
Available-for-sale	<b>507,392</b>	<b>863,912</b>	<b>1,371,304</b>	560,891	680,206	1,241,097
Held to maturity	<b>--</b>	<b>131,251</b>	<b>131,251</b>	--	--	--
	<b>858,924</b>	<b>1,121,168</b>	<b>1,980,092</b>	810,175	811,316	1,621,491

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**6. INVESTMENTS (continued)**

(i) Investments held as FVSI comprise of the following:

	<i>30 September 2019 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>30,025</b>	--	<b>91,079</b>	--	<b>121,104</b>
Funds	<b>321,507</b>	--	<b>34,926</b>	--	<b>356,433</b>
	<b>351,532</b>	--	<b>126,005</b>	--	<b>477,537</b>
	<i>31 December 2018 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
	Sukuks	32,025	--	95,079	--
Funds	217,259	--	36,031	--	253,290
	249,284	--	131,110	--	380,394

(ii) Available-for-sale investments comprise of the following:

	<i>30 September 2019 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>239,111</b>	<b>229,932</b>	<b>412,444</b>	<b>172,849</b>	<b>1,054,336</b>
Funds	--	<b>38,349</b>	<b>110,841</b>	<b>8,832</b>	<b>158,022</b>
Investments in discretionary portfolios	--	--	<b>158,946</b>	--	<b>158,946</b>
	<b>239,111</b>	<b>268,281</b>	<b>682,231</b>	<b>181,681</b>	<b>1,371,304</b>
	<i>31 December 2018 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
	Sukuks	241,784	281,828	280,697	186,924
Funds	--	37,279	109,247	10,536	157,062
Investments in discretionary portfolios	--	--	92,802	--	92,802
	241,784	319,107	482,746	197,460	1,241,097

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
 At 30 September 2019

**6. INVESTMENTS (continued)**

(iii) Held to maturity investments comprise of the following:

	<i>30 September 2019 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	--	--	<b>131,251</b>	--	<b>131,251</b>
	--	--	<b>131,251</b>	--	<b>131,251</b>

The movements in the investments balance are as follows:

	<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	<b>810,175</b>	<b>811,316</b>	<b>1,621,491</b>
Purchased during the period	<b>929,365</b>	<b>1,241,650</b>	<b>2,171,015</b>
Disposed during the period	<b>(910,524)</b>	<b>(961,249)</b>	<b>(1,871,773)</b>
Unrealized gain during the period, net	<b>29,908</b>	<b>29,451</b>	<b>59,359</b>
	<b>858,924</b>	<b>1,121,168</b>	<b>1,980,092</b>

	<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the year	820,776	900,914	1,721,690
Purchased during the year	1,033,480	794,544	1,828,024
Disposed during the year	(1,040,322)	(865,503)	(1,905,825)
Unrealized losses during the year, net	(3,759)	(18,639)	(22,398)
	810,175	811,316	1,621,491

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
 At 30 September 2019

**7. TERM DEPOSITS**

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than Three-month to more than one year and yield financial income at rates ranging from 2.50% to 4.30% per annum. The movements in term deposits during the period ended 30 September 2019 as follows:

	<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR '000</i>		
Balance at the beginning of the period	<b>3,033,743</b>	<b>1,681,538</b>	<b>4,715,281</b>
Matured during the period	<b>(1,813,921)</b>	<b>(1,047,946)</b>	<b>(2,861,867)</b>
Placed during the period	<b>1,301,565</b>	<b>760,924</b>	<b>2,062,489</b>
	<b>2,521,387</b>	<b>1,394,516</b>	<b>3,915,903</b>
	<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR '000</i>		
Balance at the beginning of the year	2,912,577	1,032,806	3,945,383
Matured during the year	(3,724,883)	(829,977)	(4,554,860)
Placed during the year	3,846,049	1,478,709	5,324,758
	3,033,743	1,681,538	4,715,281

**8. STATUTORY DEPOSIT**

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million, in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

**9. TECHNICAL RESERVES**

**9.1 Movement in unearned premiums**

Movements in unearned premiums are as follows:

	<i>Nine-month ended 30 September 2019 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR '000</i>		
Balance at 1 January 2019	<b>3,428,131</b>	<b>(6,320)</b>	<b>3,421,811</b>
Premium written/(ceded) during the period	<b>8,420,692</b>	<b>(71,448)</b>	<b>8,349,244</b>
Premium earned during the period	<b>(6,909,421)</b>	<b>66,102</b>	<b>(6,843,319)</b>
	<b>4,939,402</b>	<b>(11,666)</b>	<b>4,927,736</b>
	<i>Year ended 31 December 2018 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR '000</i>		
Balance at 1 January 2018	3,091,079	(5,146)	3,085,933
Premium written/(ceded) during the year	8,566,648	(80,528)	8,486,120
Premium earned during the year	(8,229,596)	79,354	(8,150,242)
	3,428,131	(6,320)	3,421,811

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 30 September 2019

**9. TECHNICAL RESERVES (continued)**

**9.2 Net outstanding claims and reserves**

Net outstanding claims and other technical reserves comprise of the following:

	<i>30 September 2019 (Unaudited) SAR'000</i>	<i>31 December 2018 (Audited) SAR'000</i>
Outstanding claims	484,364	555,158
Claims incurred but not reported	957,545	898,123
Claims handling reserves	18,400	19,400
	<u>1,460,309</u>	<u>1,472,681</u>
Less:		
- Reinsurers' share of outstanding claims	(884)	(336)
- Reinsurers' share of claims incurred but not reported	(2,634)	(2,678)
	<u>(3,518)</u>	<u>(3,014)</u>
<b>Net outstanding claims and reserves</b>	<u><b>1,456,791</b></u>	<u><b>1,469,667</b></u>

**10. FIDUCIARY ASSETS**

During 2018, after getting the approval from SAMA, the Company entered into a Third Party Administration agreement, (TPA) with a customer under which the Company facilitates healthcare services to the employees of a customer with specific terms and conditions. The services are remunerated against administration fees. The agreement is effective from 13 Jumada Al-Thani 1439 (corresponding to 1 March 2018).

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the balance sheet date are offset in the interim condensed statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 223 million as of 30 September 2019 (2018: SR 194.8 million).

**11. COMMITMENTS AND CONTINGENCIES**

a) The Company's commitments and contingencies are as follows:

	<i>30 September 2019 (Unaudited) SAR'000</i>	<i>31 December 2018 (Audited) SAR'000</i>
Letters of guarantee*	19,371	26,346
Operating commitments (note 3.b)	-	150,363
<b>Total</b>	<u><b>19,371</b></u>	<u><b>176,709</b></u>

\*As of 30 September 2019, total Letters of Guarantee issued by banks amounted to SR 93.4 million, of which SR 19.37 million (2018: SR 26.35 million) is restricted deposits with banks and has been recorded under prepayments and other assets.

b) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings from 31 December 2018.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**a) 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) Carrying amounts and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	<i>Fair value</i>			<i>Total</i>	<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>30 September 2019 (Unaudited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	38,920	438,617	--	477,537	477,537
- Available-for-sale investments	862,708	508,597	--	1,371,304	1,371,304
	<u>901,628</u>	<u>947,214</u>	--	<u>1,848,841</u>	<u>1,848,841</u>
<i>31 December 2018 (Audited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	16,021	364,373	--	380,394	380,394
- Available-for-sale investments	842,262	398,835	--	1,241,097	1,241,097
	<u>858,283</u>	<u>763,208</u>	--	<u>1,621,491</u>	<u>1,621,491</u>

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### c) Measurement of fair value

#### *Valuation technique and significant unobservable inputs*

The following table shows the valuation techniques used in measuring Level 2 fair value at 30 September 2019 and 31 December 2018, as well as the significant unobservable inputs used.

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Floating rate sukuk and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable

## 13. OPERATING SEGMENTS

The Company only issues short-term insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Executive Team, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions.

Operating segments do not include shareholders' operations of the Company.

Segment results do not include investment and commission income, other income, selling and marketing expenses and general and administration expenses.

Segment assets do not include cash and cash equivalents, term deposits, investments, and prepayments and other assets. Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities, due to shareholders' operations, share based payment and policyholders' share of surplus from insurance operations.

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



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>As at 30 September 2019 (Unaudited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<b>Assets</b>					
Premiums receivable - net	1,353,697	950,581	2,304,278	--	2,304,278
Reinsurers' share of unearned premiums	5,296	6,370	11,666	--	11,666
Reinsurers' share of outstanding claims	400	484	884	--	884
Reinsurers' share of claims incurred but not reported	1,242	1,392	2,634	--	2,634
Deferred policy acquisition costs	85,601	54,728	140,329	--	140,329
Unallocated assets			4,521,928	3,420,877	7,942,805
<b>Total assets</b>			<b>6,981,719</b>	<b>3,420,877</b>	<b>10,402,596</b>
<b>Liabilities</b>					
Unearned premiums	3,233,925	1,705,477	4,939,402	--	4,939,402
Outstanding claims	328,719	155,645	484,364	--	484,364
Claims incurred but not reported	638,261	319,284	957,545	--	957,545
Claims handling reserve	12,376	6,024	18,400	--	18,400
Unallocated liabilities			568,197	496,166	1,064,363
<b>Total liabilities</b>			<b>6,967,908</b>	<b>496,166</b>	<b>7,464,074</b>

<i>Operating segments</i>	<i>As at 31 December 2018 (Audited) (Restated)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<b>Assets</b>					
Premiums receivable - net	558,492	392,179	950,671	--	950,671
Reinsurers' share of unearned premiums	2,465	3,855	6,320	--	6,320
Reinsurers' share of outstanding claims	306	30	336	--	336
Reinsurers' share of claims incurred but not reported	2,437	241	2,678	--	2,678
Deferred policy acquisition costs	72,177	46,146	118,323	--	118,323
Unallocated assets			4,285,311	2,933,809	7,219,120
<b>Total assets</b>			<b>5,363,639</b>	<b>2,933,809</b>	<b>8,297,448</b>
<b>Liabilities</b>					
Unearned premiums	2,091,160	1,336,971	3,428,131	--	3,428,131
Outstanding claims	355,301	199,857	555,158	--	555,158
Claims incurred but not reported	574,799	323,324	898,123	--	898,123
Claims handling reserve	12,416	6,984	19,400	--	19,400
Unallocated liabilities			471,416	333,940	805,356
<b>Total liabilities</b>			<b>5,372,228</b>	<b>333,940</b>	<b>5,706,168</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 30 September 2019</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b>REVENUES</b>			
Gross written premium	2,395,160	681,283	3,076,443
Reinsurance premiums ceded – Local	(2,513)	(170)	(2,683)
Reinsurance premiums ceded – International	(16,534)	(1,114)	(17,648)
<b>Net premiums written</b>	<b>2,376,113</b>	<b>679,999</b>	<b>3,056,112</b>
Changes in unearned premiums – net	(827,168)	132,294	(694,874)
<b>Net premiums earned</b>	<b>1,548,945</b>	<b>812,293</b>	<b>2,361,238</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(1,210,381)	(610,060)	(1,820,441)
Reinsurers' share of claims paid	8,276	4,173	12,449
<b>Net claims paid</b>	<b>(1,202,105)</b>	<b>(605,887)</b>	<b>(1,807,992)</b>
Changes in outstanding claims	47,381	55,912	103,293
Changes in claims incurred but not reported	(125,425)	(30,814)	(156,239)
Changes in claims handling reserves	(520)	645	125
Reinsurance share of changes in outstanding claims	(20)	443	423
Reinsurance share of changes in claims incurred but not reported	(1,232)	1,147	(85)
<b>Net claims incurred</b>	<b>(1,281,921)</b>	<b>(578,554)</b>	<b>(1,860,475)</b>
Policy acquisition costs	(32,628)	(21,752)	(54,380)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,314,549)</b>	<b>(600,306)</b>	<b>(1,914,855)</b>
<b>NET UNDERWRITING INCOME</b>	<b>234,396</b>	<b>211,987</b>	<b>446,383</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			(17,429)
Unallocated income			64,597
Unallocated expenses			(207,573)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(160,405)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>285,978</b>
Income attributed to insurance operations (transfer to surplus payable)			(25,574)
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>260,404</b>
Zakat charge			(13,307)
Income tax charge			(20,514)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>226,583</b>
<b>Gross Written Premium details</b>			
			<i>Three-month period ended 30 September 2019</i>
			<i>SAR'000</i>
Corporates			2,580,080
Medium Enterprises			340,721
Small Enterprises			142,101
Micro Enterprises			11,859
Individuals			1,682
<b>Total Gross Written Premium</b>			<b>3,076,443</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 30 September 2018</i>		
	<i>(Unaudited)</i>		
	<i>(Restated)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b>REVENUES</b>			
Gross premiums written	2,217,865	614,016	2,831,881
Reinsurance premiums ceded – Local	(603)	(386)	(989)
Reinsurance premiums ceded – International	(10,136)	(6,488)	(16,624)
Net premiums written	2,207,126	607,142	2,814,268
Changes in unearned premiums – net	(882,351)	163,710	(718,641)
Net premiums earned	1,324,775	770,852	2,095,627
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(1,227,442)	(604,563)	(1,832,005)
Reinsurers' share of claims paid	--	--	--
Net claims paid	(1,227,442)	(604,563)	(1,832,005)
Changes in outstanding claims	114,320	56,307	170,627
Changes in claims incurred but not reported	18,078	8,904	26,982
Reinsurance share of changes in outstanding claims	314	154	468
Reinsurance share of changes in claims incurred but not reported	1,131	557	1,688
Net claims incurred	(1,093,599)	(538,641)	(1,632,240)
Policy acquisition costs	(26,447)	(16,946)	(43,393)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,120,046)</b>	<b>(555,587)</b>	<b>(1,675,633)</b>
<b>NET UNDERWRITING INCOME</b>	<b>204,729</b>	<b>215,265</b>	<b>419,994</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			(4,098)
Unallocated income			48,294
Unallocated expenses			(194,664)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(150,468)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>269,526</b>
Income attributed to insurance operations (transfer to surplus payable)			(24,746)
Income attributed to shareholders operations before zakat and income tax			244,780
Zakat charge			(8,749)
Income tax charge			(9,606)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>226,425</b>
<b>Gross Written Premium details</b>			<b>Three-month period ended 30 September 2018</b>
			<b>SAR'000</b>
Corporates			2,398,321
Medium Enterprises			300,173
Small Enterprises			121,349
Micro Enterprises			8,551
Individuals			3,487
<b>Total Gross Written Premium</b>			<b>2,831,881</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2019</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>(Unaudited)</i>		
	<i>SAR'000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	5,650,104	2,770,588	8,420,692
Reinsurance premiums ceded – Local	(6,020)	(1,753)	(7,773)
Reinsurance premiums ceded – International	(49,319)	(14,356)	(63,675)
<b>Net premiums written</b>	<b>5,594,765</b>	<b>2,754,479</b>	<b>8,349,244</b>
Changes in unearned premiums – net	(1,139,934)	(365,991)	(1,505,925)
<b>Net premiums earned</b>	<b>4,454,831</b>	<b>2,388,488</b>	<b>6,843,319</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(3,774,138)	(1,829,595)	(5,603,733)
Reinsurers' share of claims paid	25,150	12,196	37,346
<b>Net claims paid</b>	<b>(3,748,988)</b>	<b>(1,817,399)</b>	<b>(5,566,387)</b>
Changes in outstanding claims	26,582	44,212	70,794
Changes in claims incurred but not reported	(63,462)	4,040	(59,422)
Changes in claims handling reserves	40	960	1,000
Reinsurance share of changes in outstanding claims	94	453	547
Reinsurance share of changes in claims incurred but not reported	(1,195)	1,151	(44)
<b>Net claims incurred</b>	<b>(3,786,929)</b>	<b>(1,766,583)</b>	<b>(5,553,512)</b>
Policy acquisition costs	(99,442)	(66,295)	(165,737)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b><u>(3,886,371)</u></b>	<b><u>(1,832,878)</u></b>	<b><u>(5,719,249)</u></b>
<b>NET UNDERWRITING INCOME</b>	<b>568,460</b>	<b>555,610</b>	<b>1,124,070</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(90,480)
Unallocated income			194,140
Unallocated expenses			(603,782)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b><u>(500,122)</u></b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>623,948</b>
<b>Income attributed to insurance operations (transfer to surplus payable)</b>			<b>(53,347)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>570,601</b>
Zakat charge			(37,458)
Income tax charge			(45,001)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>488,142</b>
<b><u>Gross Written Premium details</u></b>			
			<b><u>Nine-month period ended 30 September 2019</u></b>
			<b><u>SAR'000</u></b>
Corporates			6,406,586
Medium Enterprises			1,440,768
Small Enterprises			522,888
Micro Enterprises			42,035
Individuals			8,415
<b>Total Gross Written Premium</b>			<b>8,420,692</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2018</i>		
	<i>(Unaudited)</i>		
	<i>(Restated)</i>		
	<i>Major</i>	<i>Non-Major</i>	<i>Total</i>
	<i>customer</i>	<i>customers</i>	
	<i>SAR '000</i>		
<b>REVENUES</b>			
Gross premiums written	4,902,008	2,438,641	7,340,649
Reinsurance premiums ceded – Local	(4,362)	(2,793)	(7,155)
Reinsurance premiums ceded – International	(34,751)	(19,507)	(54,258)
Net premiums written	4,862,895	2,416,341	7,279,236
Changes in unearned premiums – net	(1,105,149)	(166,676)	(1,271,825)
Net premiums earned	3,757,746	2,249,665	6,007,411
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(3,087,495)	(1,727,363)	(4,814,858)
Reinsurers' share of claims paid	7,812	4,788	12,600
Net claims paid	(3,079,683)	(1,722,575)	(4,802,258)
Changes in outstanding claims	(71,347)	(55,274)	(126,621)
Changes in claims incurred but not reported	16,291	12,621	28,912
Reinsurance share of changes in outstanding claims	259	201	460
Reinsurance share of changes in claims incurred but not reported	956	740	1,696
Net claims incurred	(3,133,524)	(1,764,287)	(4,897,811)
Policy acquisition costs	(84,393)	(55,273)	(139,666)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(3,217,917)</b>	<b>(1,819,560)</b>	<b>(5,037,477)</b>
<b>NET UNDERWRITING INCOME</b>	<b>539,829</b>	<b>430,105</b>	<b>969,934</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			(93,773)
Unallocated income			142,417
Unallocated expenses			(544,807)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(496,163)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>473,771</b>
Income attributed to insurance operations (transfer to surplus payable)			(40,780)
Income attributed to the shareholders before zakat and income tax			432,991
Zakat charge			(34,036)
Income tax charge			(28,360)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>370,595</b>

**Gross Written Premium details**

	<i>Nine-month period ended</i>
	<i>30 September 2018</i>
	<i>SAR '000</i>
Corporates	5,602,322
Medium Enterprises	1,260,878
Small Enterprises	437,902
Micro Enterprises	31,873
Individuals	7,674
<b>Total Gross Written Premium</b>	<b>7,340,649</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**14. RELATED PARTIES TRANSACTIONS AND BALANCES**

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the period ended</u>		<u>Receivable/(payable) balance as at</u>	
		<u>30 September 2019</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 September 2018</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 September 2019</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 December 2018</u> <i>(Audited)</i> <i>SR'000</i>
Shareholders	Insurance premium written	<b>258,033</b>	30,705	<b>4,922</b> **	(498) **
Shareholders	Reinsurance Premium ceded	<b>19,436</b>	13,714	<b>(40,432)</b> *	(23,242) *
Shareholders	Claims paid	<b>88,923</b>	12,172	<b>(8,856)</b> ***	(2,784) ***
Shareholders	Medical costs charged by providers	<b>52,116</b>	21,523	<b>(5,733)</b> ***	(110) ***
Shareholders	Expenses charged to/from a related party - net	<b>338</b>	680	<b>(201)</b> *	(41) *
Shareholders	Tax equalisation - net	<b>6,131</b>	6,131	--	2,988 *
Shareholders	Board members fees	<b>575</b>	600	<b>(575)</b> *	(258) *
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	<b>17,242</b>	15,141	<b>(17,242)</b> *	(20,542) *

\* Amounts due to related parties amounted to SR 58,450 thousand (2018: SR 41,095 thousand).

\*\* Amounts included in premium receivables (note 5).

\*\*\* Amounts are included in the outstanding claims.

The remuneration of the key management personnel during the period ended 30 September is as follows:

	<u>30 September 2019</u> <i>(Unaudited)</i> <i>SAR'000</i>	<u>30 September 2018</u> <i>(Unaudited)</i> <i>SAR'000</i>
Short-term benefits	<b>18,614</b>	20,034
Long-term benefits	<b>10,068</b>	5,281
	<b>28,682</b>	<b>25,315</b>

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits and the LTIP.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**15. ZAKAT AND INCOME TAX**

Breakup of zakat and income tax charge for the Nine-month period ended 30 September 2019 and 2018 are as follows:

	<i>Nine-month period ended 30 September 2019 (Unaudited) SAR'000</i>	<i>Nine-month period ended 30 September 2018 (Unaudited) SAR'000</i>
Current zakat charge	37,458	34,036
Current tax charge	<b>53,431</b>	31,255
Deferred tax income (note 15.a)	<b>(8,430)</b>	(2,895)
	<b>45,001</b>	28,360
	<b>82,459</b>	62,396

a) The reconciliation of deferred tax is as follows:

	<i>30 September 2019 SAR'000</i>	<i>31 December 2018 SAR'000</i>	<i>30 September 2018 SAR'000</i>
Opening deferred tax asset	25,552	19,161	19,161
Deferred tax income	<b>8,430</b>	6,391	2,895
	<b>33,982</b>	25,552	22,056

Movements in the Zakat and income tax accrued during the period ended 30 September 2019 and year ended 31 December 2018 respectively are as follows:

	<i>Zakat Payable SAR'000</i>	<i>Income tax Payable SAR'000</i>	<i>Total 30 September 2019 (Unaudited) SAR'000</i>	<i>Total 31 December 2018 (Audited) SAR'000</i>
Balance at beginning of the year	184,295	15,489	199,784	148,704
Provided during the period/year	37,458	53,431	90,889	89,199
Payments during the period/year	<b>(10,247)</b>	<b>(38,305)</b>	<b>(48,552)</b>	(38,119)
Balance at end of the period/year	<b>211,506</b>	<b>30,615</b>	<b>242,121</b>	199,784

**Status of assessments**

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2018 with the General Authority of Zakat and Tax (the "GAZT").

The Company has received assessments for the fiscal periods 2008 through 2010 raising additional demands aggregating to SR 9 million, principally on account of disallowance of FVSI investments and statutory deposits from the zakat base. The Company has filed appeals against these assessments with the GAZT.

For the years 2011 and 2012, the Company has received Preliminary Objection Committee's decisions in favour of the GAZT for the additional zakat liability of SR 17 million and has filed an appeal with the Higher Appeal Committee.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**15. ZAKAT AND INCOME TAX (continued)**

**Status of assessments (continued)**

The Company has received final assessments for the fiscal years 2013 through 2016 of additional zakat, corporate income tax and withholding tax as well as delay fines on the assessed additional corporate income tax and withholding tax. The differences have mainly arisen due to disallowance of investments and statutory deposits from the zakat base as well as not taking into consideration the tax and zakat already settled along with the tax / zakat declarations for the respective years. The Company has filed appeals against these assessments with the GAZT. The Company is also awaiting GAZT's decision on additional submissions of 2014 relating to the treatment of the statutory deposit and the cooperative distribution for the fiscal periods 2008 through 2013.

**16. SHARE CAPITAL**

The authorised, issued and paid-up capital of the Company was SAR 1,200 million at 30 September 2019 (31 December 2018: SAR 1,200 million) consisting of 120 million shares (31 December 2018: 120 million shares) of SAR 10 each. Shareholding structure of the Company is as below:

	<b>30 September 2019</b>		<b>31 December 2018</b>	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>Holding percentage</i>	<i>SR'000</i>	<i>Holding percentage</i>	<i>SR'000</i>
Major shareholders	<b>52.3%</b>	<b>628,066</b>	52.3%	628,066
General Public	<b>47.7%</b>	<b>571,934</b>	47.7%	571,934
	<b>100.0%</b>	<b>1,200,000</b>	100.0%	1,200,000

**17. DIVIDENDS**

On 30 April 2019, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2018, of SR 1.5 per share totalling SR 180 million to its shareholders (2017: SR 160 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly meeting, held on 30 June 2019, and accordingly the dividend payment was completed on 14 July 2019.

**18. STATUTORY RESERVE**

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 30 September 2019, SR 609.11 million (31 December 2018: SR 609.11 million) had been set aside as a statutory reserve, representing 51% (31 December 2018: 51%) of the paid-up share capital.

**19. CAPITAL MANAGEMENT**

Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise shareholders' value.

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

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



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**20. EARNINGS PER SHARE**

The basic earnings per share have been calculated by dividing net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end.

Diluted earnings per share are not applicable to the Company.

Basic earnings per share has also been revised due to change in accounting policy for the presentation of Zakat and Income tax as explained in note 3(a) to these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION**

**Interim condensed financial position**

	<i>30 September 2019 (Unaudited)</i>			<i>31 December 2018 (Audited) (Restated)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	918,401	365,311	1,283,712	272,527	17,886	290,413
Premiums receivables – net	2,304,278	--	2,304,278	950,671	--	950,671
Reinsurers' share of unearned premiums	11,666	--	11,666	6,320	--	6,320
Reinsurers' share of outstanding claims	884	--	884	336	--	336
Reinsurers' share of claims Incurred but not reported	2,634	--	2,634	2,678	--	2,678
Deferred policy acquisition costs	140,329	--	140,329	118,323	--	118,323
Investments	858,924	1,121,168	1,980,092	810,175	811,316	1,621,491
Prepaid expenses and other assets	223,216	48,015	271,231	168,866	34,119	202,985
Term deposits	2,521,387	1,394,516	3,915,903	3,033,743	1,681,538	4,715,281
Fixtures, Furniture and Right-of-use assets – net	--	172,777	172,777	--	81,243	81,243
Intangible assets – net	--	57,294	57,294	--	57,273	57,273
Deferred tax asset	--	33,982	33,982	--	25,552	25,552
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	120,000	120,000
Accrued income on statutory deposit	--	9,814	9,814	--	6,882	6,882
<b>TOTAL ASSETS</b>	<b>6,981,719</b>	<b>3,420,877</b>	<b>10,402,596</b>	<b>5,363,639</b>	<b>2,933,809</b>	<b>8,297,448</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed financial position (continued)**

	<i>30 September 2019 (Unaudited)</i>			<i>31 December 2018 (Audited) (Restated)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>LIABILITIES</u></b>						
Accrued and other liabilities	309,743	96,147	405,890	281,025	4,784	285,809
Insurance operations' surplus payable	165,997	--	165,997	139,755	--	139,755
Reinsurers' balances payable	92,457	--	92,457	50,636	--	50,636
Unearned premiums	4,939,402	--	4,939,402	3,428,131	--	3,428,131
Outstanding claims	484,364	--	484,364	555,158	--	555,158
Claims incurred but not reported	957,545	--	957,545	898,123	--	898,123
Claims handling reserve	18,400	--	18,400	19,400	--	19,400
Due to related parties	--	58,450	58,450	--	41,095	41,095
Provision for end-of-service benefits	--	89,634	89,634	--	81,395	81,395
Provision for zakat and income tax	--	242,121	242,121	--	199,784	199,784
Accrued income payable to SAMA	--	9,814	9,814	--	6,882	6,882
<b>TOTAL LIABILITIES</b>	<b>6,967,908</b>	<b>496,166</b>	<b>7,464,074</b>	<b>5,372,228</b>	<b>333,940</b>	<b>5,706,168</b>
<b><u>EQUITY</u></b>						
Share capital	--	1,200,000	1,200,000	--	1,200,000	1,200,000
Statutory reserve	--	609,111	609,111	--	609,111	609,111
Share based payments	--	18,326	18,326	--	17,579	17,579
Shares held under employees share scheme	--	(42,539)	(42,539)	--	(32,662)	(32,662)
Retained earnings	--	1,142,078	1,142,078	--	836,705	836,705
Re-measurement reserve of end-of-service benefits	--	(8,922)	(8,922)	--	(8,922)	(8,922)
Investments fair value reserve	13,811	6,657	20,468	(8,589)	(21,942)	(30,531)
<b>TOTAL EQUITY</b>	<b>13,811</b>	<b>2,924,711</b>	<b>2,938,522</b>	<b>(8,589)</b>	<b>2,599,869</b>	<b>2,591,280</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b>6,981,719</b>	<b>3,420,877</b>	<b>10,402,596</b>	<b>5,363,639</b>	<b>2,933,809</b>	<b>8,297,448</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of income**

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018 (Restated)</i>			<i>2019</i>			<i>2018 (Restated)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>REVENUES</b>												
Gross premiums written	3,076,443	--	3,076,443	2,831,881	--	2,831,881	8,420,692	--	8,420,692	7,340,649	--	7,340,649
Reinsurance premiums ceded - Local	(2,683)	--	(2,683)	(989)	--	(989)	(7,773)	--	(7,773)	(7,155)	--	(7,155)
Reinsurance premiums ceded - International	(17,648)	--	(17,648)	(16,624)	--	(16,624)	(63,675)	--	(63,675)	(54,258)	--	(54,258)
<b>Net premiums written</b>	<b>3,056,112</b>	<b>--</b>	<b>3,056,112</b>	<b>2,814,268</b>	<b>--</b>	<b>2,814,268</b>	<b>8,349,244</b>	<b>--</b>	<b>8,349,244</b>	<b>7,279,236</b>	<b>--</b>	<b>7,279,236</b>
Changes in unearned premiums, net	(694,874)	--	(694,874)	(718,641)	--	(718,641)	(1,505,925)	--	(1,505,925)	(1,271,825)	--	(1,271,825)
<b>Net premiums earned</b>	<b>2,361,238</b>	<b>--</b>	<b>2,361,238</b>	<b>2,095,627</b>	<b>--</b>	<b>2,095,627</b>	<b>6,843,319</b>	<b>--</b>	<b>6,843,319</b>	<b>6,007,411</b>	<b>--</b>	<b>6,007,411</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>												
Gross claims paid	(1,820,441)	--	(1,820,441)	(1,832,005)	--	(1,832,005)	(5,603,733)	--	(5,603,733)	(4,814,858)	--	(4,814,858)
Reinsurers' share of claims paid	12,449	--	12,449	--	--	--	37,346	--	37,346	12,600	--	12,600
<b>Net claims paid</b>	<b>(1,807,992)</b>	<b>--</b>	<b>(1,807,992)</b>	<b>(1,832,005)</b>	<b>--</b>	<b>(1,832,005)</b>	<b>(5,566,387)</b>	<b>--</b>	<b>(5,566,387)</b>	<b>(4,802,258)</b>	<b>--</b>	<b>(4,802,258)</b>
Changes in outstanding claims	103,293	--	103,293	170,627	--	170,627	70,794	--	70,794	(126,621)	--	(126,621)
Changes in claims incurred but not reported	(156,239)	--	(156,239)	26,982	--	26,982	(59,422)	--	(59,422)	28,912	--	28,912
Changes in claims handling reserves	125	--	125	--	--	--	1,000	--	1,000	--	--	--
Reinsurance share of changes in outstanding claims	423	--	423	468	--	468	547	--	547	460	--	460
Reinsurance share of changes in claims incurred but not reported	(85)	--	(85)	1,688	--	1,688	(44)	--	(44)	1,696	--	1,696
<b>Net claims incurred</b>	<b>(1,860,475)</b>	<b>--</b>	<b>(1,860,475)</b>	<b>(1,632,240)</b>	<b>--</b>	<b>(1,632,240)</b>	<b>(5,553,512)</b>	<b>--</b>	<b>(5,553,512)</b>	<b>(4,897,811)</b>	<b>--</b>	<b>(4,897,811)</b>
Policy acquisition costs	(54,380)	--	(54,380)	(43,393)	--	(43,393)	(165,737)	--	(165,737)	(139,666)	--	(139,666)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,914,855)</b>	<b>--</b>	<b>(1,914,855)</b>	<b>(1,675,633)</b>	<b>--</b>	<b>(1,675,633)</b>	<b>(5,719,249)</b>	<b>--</b>	<b>(5,719,249)</b>	<b>(5,037,477)</b>	<b>--</b>	<b>(5,037,477)</b>
<b>NET UNDERWRITING INCOME</b>	<b>446,383</b>	<b>--</b>	<b>446,383</b>	<b>419,994</b>	<b>--</b>	<b>419,994</b>	<b>1,124,070</b>	<b>--</b>	<b>1,124,070</b>	<b>969,934</b>	<b>--</b>	<b>969,934</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of income (continued)**

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018 (Restated)</i>			<i>2019</i>			<i>2018 (Restated)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>												
Allowance for doubtful receivables	(17,429)	--	(17,429)	(4,098)	--	(4,098)	(90,480)	--	(90,480)	(93,773)	--	(93,773)
General and administrative expenses	(115,989)	(2,344)	(118,333)	(102,529)	(2,018)	(104,547)	(332,550)	(6,932)	(339,482)	(304,242)	(6,595)	(310,837)
Selling and marketing expenses	(89,240)	--	(89,240)	(90,117)	--	(90,117)	(264,300)	--	(264,300)	(233,970)	--	(233,970)
Investment income – net	33,307	26,744	60,051	24,206	19,619	43,825	100,680	77,914	178,594	69,266	63,609	132,875
Other income – net	(1,294)	5,840	4,546	--	4,469	4,469	(3,953)	19,499	15,546	585	8,957	9,542
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(190,645)</b>	<b>30,240</b>	<b>(160,405)</b>	<b>(172,538)</b>	<b>22,070</b>	<b>(150,468)</b>	<b>(590,603)</b>	<b>90,481</b>	<b>(500,122)</b>	<b>(562,134)</b>	<b>65,971</b>	<b>(496,163)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>	<b>255,738</b>	<b>30,240</b>	<b>285,978</b>	<b>247,456</b>	<b>22,070</b>	<b>269,526</b>	<b>533,467</b>	<b>90,481</b>	<b>623,948</b>	<b>407,800</b>	<b>65,971</b>	<b>473,771</b>
Transfer of surplus to shareholders	(230,164)	230,164	--	(222,710)	222,710	--	(480,120)	480,120	--	(367,020)	367,020	--
<b><u>NET RESULTS FROM OPERATIONS</u></b>	<b>25,574</b>	<b>260,404</b>	<b>285,978</b>	<b>24,746</b>	<b>244,780</b>	<b>269,526</b>	<b>53,347</b>	<b>570,601</b>	<b>623,948</b>	<b>40,780</b>	<b>432,991</b>	<b>473,771</b>
Zakat charge	--	(13,307)	(13,307)	--	(8,749)	(8,749)	--	(37,458)	(37,458)	--	(34,036)	(34,036)
Income tax charge	--	(20,514)	(20,514)	--	(9,606)	(9,606)	--	(45,001)	(45,001)	--	(28,360)	(28,360)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>25,574</b>	<b>226,583</b>	<b>252,157</b>	<b>24,746</b>	<b>226,425</b>	<b>251,171</b>	<b>53,347</b>	<b>488,142</b>	<b>541,489</b>	<b>40,780</b>	<b>370,595</b>	<b>411,375</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,594</b>			<b>119,655</b>			<b>119,595</b>			<b>119,650</b>	
<b>Basic earnings per share (Expressed in SAR per share)</b>		<b>1.89</b>			<b>1.89</b>			<b>4.08</b>			<b>3.10</b>	

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of comprehensive income (continued)**

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018 (Restated)</i>			<i>2019</i>			<i>2018 (Restated)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>Net income attributed to the shareholders after zakat and income tax</b>	<b>25,574</b>	<b>226,583</b>	<b>252,157</b>	24,746	226,425	251,171	<b>53,347</b>	<b>488,142</b>	<b>541,489</b>	40,780	370,595	411,375
<b>Other comprehensive (loss) /income</b>												
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>												
- Net change in fair value of available-for-sale investments	<b>4,781</b>	<b>3,633</b>	<b>8,414</b>	1,332	(5,412)	(4,080)	<b>22,400</b>	<b>28,599</b>	<b>50,999</b>	(6,772)	(12,048)	(18,820)
<b><u>TOTAL COMPREHENSIVE INCOME/(LOSS)</u></b>	<b>30,355</b>	<b>230,216</b>	<b>260,571</b>	26,078	221,013	247,091	<b>75,747</b>	<b>516,741</b>	<b>592,488</b>	34,008	358,547	392,555
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(25,574)			(24,746)			(53,347)			(40,780)
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>234,997</b>			222,345			<b>539,141</b>			351,775

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of cash flows**

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018 (Restated)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders after zakat and income tax	--	488,142	488,142	--	370,595	370,595
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	53,347	--	53,347	40,780	--	40,780
Zakat charge	--	37,458	37,458	--	34,036	34,036
Income tax charge -net	--	45,001	45,001	--	28,360	28,360
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets	23,153	--	23,153	10,353	--	10,353
Amortization of intangible assets	13,109	--	13,109	4,540	--	4,540
Gain on disposal of Fixtures and Furniture	--	(1)	(1)	--	--	--
Provision for LTIP	--	8,614	8,614	--	5,840	5,840
Allowance of doubtful receivables provision	90,480	--	90,480	93,773	--	93,773
Unrealized gains on investments held as FVSI	(7,509)	(852)	(8,361)	(4,104)	(1,255)	(5,359)
Realized gains on investments	(5,375)	(2,223)	(7,598)	(1,824)	(7,360)	(9,184)
Provision for end-of-service benefits	--	13,161	13,161	--	12,579	12,579
Finance cost	--	4,006	4,006	--	--	--
	<b>167,205</b>	<b>593,306</b>	<b>760,511</b>	<b>143,518</b>	<b>442,795</b>	<b>586,313</b>
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,444,087)	--	(1,444,087)	(1,500,484)	--	(1,500,484)
Reinsurers' share of unearned premiums	(5,346)	--	(5,346)	(3,725)	--	(3,725)
Reinsurers' share of outstanding claims	(548)	--	(548)	(460)	--	(460)
Reinsurers' share of claims incurred but not reported	44	--	44	(1,696)	--	(1,696)
Deferred policy acquisition costs	(22,006)	--	(22,006)	(29,079)	--	(29,079)
Prepaid expenses and other assets	(54,350)	(13,896)	(68,246)	8,853	(13,625)	(4,772)
Accrued and other liabilities	28,718	(158)	28,560	105,708	(196)	105,512
Reinsurers' balances payable	41,821	--	41,821	38,290	--	38,290
Unearned premiums	1,511,271	--	1,511,271	1,275,550	--	1,275,550
Outstanding claims	(70,794)	--	(70,794)	126,621	--	126,621
Claims incurred but not reported	59,422	--	59,422	(28,912)	--	(28,912)
Claims handling reserve	(1,000)	--	(1,000)	--	--	--
Due to related parties	--	14,367	14,367	--	6,242	6,242
Due to shareholders' operations	(36,262)	36,262	--	(214,893)	214,893	--
End-of-service benefits paid	--	(4,922)	(4,922)	--	(8,341)	(8,341)
Surplus paid to policyholders	(27,105)	--	(27,105)	(41,700)	--	(41,700)
Zakat and income tax paid	--	(48,552)	(48,552)	--	(28,133)	(28,133)
<b>Net cash generated from operating activities</b>	<b>146,983</b>	<b>576,407</b>	<b>723,390</b>	<b>(122,409)</b>	<b>613,635</b>	<b>491,226</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of cash flows (continued)**

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018 (Restated)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(1,301,565)	(760,924)	(2,062,489)	(2,495,094)	(1,166,204)	(3,661,298)
Proceeds from maturity of term deposits	1,813,921	1,047,946	2,861,867	2,680,311	698,219	3,378,530
Additions in investments	(929,365)	(1,241,650)	(2,171,015)	(856,128)	(533,001)	(1,389,129)
Disposals of investments	915,900	963,471	1,879,371	912,566	595,190	1,507,756
Additions to Fixtures, Furniture and Right-of-use assets	--	(11,591)	(11,591)	--	(4,025)	(4,025)
Disposal of Fixtures, Furniture and Right-of-use assets	--	101	101	--	--	--
Intangible assets acquired	--	(13,130)	(13,130)	--	(11,229)	(11,229)
Purchase of shares under LTIP	--	(17,744)	(17,744)	--	(11,494)	(11,494)
<b>Net cash generated from/(used in) investing activities</b>	<b>498,891</b>	<b>(33,521)</b>	<b>465,370</b>	<b>241,655</b>	<b>(432,544)</b>	<b>(190,889)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Lease liability paid	--	(24,580)	(24,580)	--	--	--
Dividends paid	--	(180,000)	(180,000)	--	(160,000)	(160,000)
Income tax recovered from non-Saudi shareholders	--	9,119	9,119	--	6,131	6,131
<b>Net cash used in financing activities</b>	<b>--</b>	<b>(195,461)</b>	<b>(195,461)</b>	<b>--</b>	<b>(153,869)</b>	<b>(153,869)</b>
Net change in cash and cash equivalents	645,874	347,425	993,299	119,246	27,222	146,468
Cash and cash equivalents at beginning of the period	272,527	17,886	290,413	110,384	119,500	229,884
<b>Cash and cash equivalents at end of the period</b>	<b>918,401</b>	<b>365,311</b>	<b>1,283,712</b>	<b>229,630</b>	<b>146,722</b>	<b>376,352</b>

**22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and regrouped to conform with the current period's presentation.

The amounts "due to/from" shareholders and insurance operations which were previously reported separately in the respective interim condensed statement of financial position, are now eliminated. In addition the 90/10 split of the surplus from insurance operations between shareholders and insurance operations are presented separately in the supplementary information (refer to note 21 above).

**23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors, on 6 Rabi' I 1441H corresponding to 3 November 2019.