

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2019**

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

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 March 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 – 33



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## 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 31 March 2019, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-months 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 modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of Zakat and income tax. 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 modified by SAMA for the accounting of Zakat and income tax.

for **KPMG Al Fozan & Partners**  
 Certified Public Accountants



Ebrahim Oboud Baeshen  
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for **Ernst & Young & Co.**  
 ( Certified Public Accountants)



Ahmed I. Reda  
 Certified Public Accountant  
 License No. 356



Jeddah, Kingdom of Saudi Arabia  
 8 Ramadan 1440H  
 Corresponding to 13 May 2019



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2019

	<i>Notes</i>	<b>31 March 2019 (Unaudited) SAR'000</b>	<b>31 December 2018 (Audited) SAR'000</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	390,125	290,413
Premiums receivable – net	5	1,711,023	950,671
Reinsurers' share of unearned premiums	9.1	6,131	6,320
Reinsurers' share of outstanding claims	9.2	304	336
Reinsurers' share of claims incurred but not reported	9.2	2,669	2,678
Deferred policy acquisition costs		121,816	118,323
Investments	6,12	1,776,973	1,621,491
Prepaid expenses and other assets		236,728	202,985
Term deposits	7	4,496,388	4,715,281
Fixtures, Furniture and Right of use assets – net	3.a	177,285	81,243
Intangible assets – net		65,223	57,273
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	7,813	6,882
<b>TOTAL ASSETS</b>		<b>9,210,478</b>	<b>8,271,896</b>
<b><u>LIABILITIES</u></b>			
Accrued and other liabilities		395,109	285,809
Insurance operations' surplus payable		146,205	139,755
Reinsurers' balances payable		67,272	50,636
Unearned premiums	9.1	4,115,396	3,428,131
Outstanding claims	9.2	524,632	555,158
Claims incurred but not reported	9.2	920,548	898,123
Claims handling reserve	9.2	19,050	19,400
Due to related parties	14	44,333	41,095
Provision for end-of-service benefits		82,727	81,395
Provision for zakat and income tax	15	216,376	199,784
Accrued income payable to SAMA	8	7,813	6,882
<b>TOTAL LIABILITIES</b>		<b>6,539,461</b>	<b>5,706,168</b>
<b><u>EQUITY</u></b>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	609,111	609,111
Share based-payments	18	16,377	17,579
Shares held under employees share scheme	18	(29,211)	(32,662)
Retained earnings		883,916	811,153
Re-measurement reserve of defined benefit obligation		(8,922)	(8,922)
Investments fair value reserve – related to shareholders		(1,306)	(21,942)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,669,965</b>	<b>2,574,317</b>
Investments fair value reserve – related to policyholders		1,052	(8,589)
<b>TOTAL EQUITY</b>		<b>2,671,017</b>	<b>2,565,728</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,210,478</b>	<b>8,271,896</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 INCOME (Unaudited)

For the three-month period ended 31 March 2019

		<i>Three-month period ended 31 March</i>	
	<i>Notes</i>	<i>2019</i>	<i>2018</i>
		<i>SAR'000</i>	<i>SAR'000</i>
<b><u>REVENUES</u></b>			
Gross premiums written		2,905,447	2,489,157
Reinsurance premiums ceded – Local		(2,495)	(2,346)
Reinsurance premiums ceded – International		(18,174)	(14,318)
<b>Net premiums written</b>		<b>2,884,778</b>	<b>2,472,493</b>
Changes in unearned premiums – net		(687,454)	(534,382)
<b>Net premiums earned</b>	9.1	<b>2,197,324</b>	<b>1,938,111</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid		(1,931,881)	(1,341,277)
Reinsurers' share of claims paid		12,449	12,600
<b>Net claims paid</b>		<b>(1,919,432)</b>	<b>(1,328,677)</b>
Changes in outstanding claims		30,526	(138,472)
Changes in claims incurred but not reported		(22,425)	(260,689)
Changes in claims handling reserves		350	--
Reinsurance share of changes in outstanding claims		(32)	(8)
Reinsurance share of changes in claims incurred but not reported		(9)	8
<b>Net claims incurred</b>		<b>(1,911,022)</b>	<b>(1,727,838)</b>
Policy acquisition costs		(57,881)	(43,367)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>		<b>(1,968,903)</b>	<b>(1,771,205)</b>
<b>NET UNDERWRITING INCOME</b>		<b>228,421</b>	<b>166,906</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Reversal/(allowance) for doubtful receivables provision		11,038	(10,847)
General and administrative expenses		(108,605)	(105,672)
Selling and marketing expenses		(92,010)	(84,154)
Investments income – net		56,828	43,724
Other income/(loss)		5,789	(609)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u></b>		<b>(126,960)</b>	<b>(157,558)</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>101,461</b>	<b>9,348</b>
<b>Net income attributed to the insurance operations after shareholders' (transfer to surplus payable)</b>	1	<b>(7,339)</b>	<b>--</b>
<b>Net income attributed to the shareholders</b>		<b>94,122</b>	<b>9,348</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,550</b>	<b>79,755</b>
<b>Basic earnings per share (Expressed in SAR per Share)</b>	20	<b>0.79</b>	<b>0.12</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 COMPREHENSIVE INCOME (Unaudited)  
 For the three-month period ended 31 March 2019

	<i>Three-month period ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>SAR'000</i>	<i>SAR'000</i>
<b>Net income attributed to the shareholders</b>	<b>94,122</b>	<b>9,348</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 change in fair value of available-for-sale investments:		
- related to shareholders	<b>20,636</b>	(2,289)
- related to policyholders	<b>9,641</b>	(4,675)
	<b>30,277</b>	(6,964)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>124,399</b>	<b>2,384</b>

Chairman

Director and Chief Executive Officer

NADER ASHOOQ  
 Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
For three-months period ended 31 March 2019

	Related to shareholders									
	Shares held				Re-			Investments		
	Share capital	Statutory reserve	Share based payments	under employees share scheme	Retained earnings	measurement reserve of defined benefit obligation	Investments fair value reserve	Total shareholders' equity	Investments fair value reserve – related to policyholders	Total equity
2019	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance at 31 December 2018 (audited)	1,200,000	609,111	17,579	(32,662)	811,153	(8,922)	(21,942)	2,574,317	(8,589)	2,565,728
Impact of adopting IFRS 16 at 1 January 2019 (note 3.a)	--	--	--	--	(8,900)	--	--	(8,900)	--	(8,900)
Restated balance at 1 January 2019	1,200,000	609,111	17,579	(32,662)	802,253	(8,922)	(21,942)	2,565,417	(8,589)	2,556,828
Total comprehensive income for the period										
Net income for the period attributed to shareholders	--	--	--	--	94,122	--	--	94,122	--	94,122
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	20,636	20,636	9,641	30,277
Total comprehensive income for the period	--	--	--	--	94,122	--	20,636	114,758	9,641	124,399
Share based payment transactions	--	--	2,249	--	--	--	--	2,249	--	2,249
Delivery of shares under LTIP	--	--	(3,451)	3,451	--	--	--	--	--	--
Zakat and income tax charge	--	--	--	--	(18,590)	--	--	(18,590)	--	(18,590)
Income tax recovered from non-Saudi shareholders	--	--	--	--	6,131	--	--	6,131	--	6,131
Balance at 31 March 2019 (unaudited)	1,200,000	609,111	16,377	(29,211)	883,916	(8,922)	(1,306)	2,669,965	1,052	2,671,017

Chairman

Chief Financial Officer

Director and Chief Executive Officer

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)**  
For three-months period ended 31 March 2019

	Related to shareholders									
	Shares held under employees share scheme	Share based payments	Statutory reserve	Share capital	Retained earnings	Re-measurement of defined benefit obligation	Investments fair value reserve	Total Shareholders' Equity	Investments fair value reserve related to policyholders	Total Equity
<b>2018</b>										
<b>Balance at the 31 December 2017 (audited)</b>	800,000	504,025	17,220	(28,915)	1,030,887	--	(1,880)	2,321,337	713	2,322,050
<b>Total comprehensive income for the period</b>	--	--	--	--	9,348	--	--	9,348	--	9,348
Net income for the period attributed to shareholders	--	--	--	--	9,348	--	--	9,348	--	9,348
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	--	--	--	--
Total comprehensive income for the period	--	--	--	--	9,348	--	--	9,348	--	9,348
Share based payment transactions	--	--	--	--	--	--	--	--	--	--
Delivery of shares under LTTP	--	--	1,500	--	--	--	--	1,500	--	1,500
Zakat and income tax charge	--	--	(1,416)	1,416	--	--	--	--	--	--
<b>Balance at 31 March 2018 (unaudited)</b>	800,000	504,025	17,304	(27,499)	1,017,668	--	(4,169)	2,307,329	(3,962)	2,303,367

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)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
For three-months period ended 31 March 2019

Notes	Three-month period ended 31 March	
	2019 SAR'000	2018 SAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributed to shareholders	94,122	9,348
<u>Adjustments for non-cash items:</u>		
Net income attributed to insurance operations	7,339	--
Depreciation and amortization of Fixtures, Furniture and Right of use assets	7,582	2,890
Amortization of intangible assets	3,582	1,486
Provision for LTIP	2,249	1,500
(Reversal of) / allowance for doubtful receivables provision	(11,038)	10,847
Unrealized gains on investments held as FVSI	(2,444)	(2,107)
Realized gains on investments	3,398	(7,898)
Provision for end-of-service benefits	3,764	4,454
	<u>108,554</u>	<u>20,520</u>
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(749,314)	(1,057,945)
Reinsurers' share of unearned premiums	189	3,794
Reinsurers' share of outstanding claims	32	8
Reinsurers' share of claims incurred but not reported	9	(8)
Deferred policy acquisition costs	(3,493)	(10,233)
Prepaid expenses and other assets	(33,743)	2,916
Accrued and other liabilities	(4,042)	67,727
Reinsurers' balances payable	16,636	15,640
Unearned premiums	687,265	530,588
Outstanding claims	(30,526)	138,472
Claims incurred but not reported	22,425	260,689
Claims handling reserve	(350)	--
Due to related parties	9,369	5,781
Increase in lease liabilities	1,405	--
	<u>24,416</u>	<u>(22,051)</u>
End-of-service benefits paid	(2,432)	(3,894)
Surplus paid to policyholders	(889)	(10,420)
Zakat and income tax paid	(1,998)	--
<b>Net cash generated from / (used in) operating activities</b>	<u>19,097</u>	<u>(36,365)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Placement in term deposits	7	(984,118)
Proceeds from maturity of term deposits	7	(907,949)
Additions to investments	6	797,521
Disposals of investments		(677,726)
Additions to property and equipment		879,448
Disposal of property and equipment		(6,039)
Intangible assets acquired		--
	<u>(11,532)</u>	<u>(325)</u>
<b>Net cash generated from investing activities</b>	<u>80,774</u>	<u>84,930</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease liability paid	(159)	--
<b>Net cash used in financing activities</b>	<u>(159)</u>	<u>--</u>
Net change in cash and cash equivalents	99,712	48,565
Cash and cash equivalents at beginning of the period	290,413	229,884
<b>Cash and cash equivalents at end of the period</b>	<u>390,125</u>	<u>278,449</u>
<b>Non-cash transactions</b>		
Unrealized gains /(losses) on available for sale investments	30,277	(6,964)
Zakat and income tax charged to retained earnings	(18,590)	(22,567)
Income tax recovered from non-Saudi shareholders	6,131	--
Right-of-use assets	99,243	--

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 31 March 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 Industry’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-Khalediyah 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 modified by SAMA for the accounting of zakat and income tax’, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax as modified by SAMA. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA”), zakat and income tax are to be accrued on a quarterly basis through equity under retained earnings.

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.

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.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 2. BASIS OF PREPARATION (continued)

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

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 expense. 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, higher operating profits are expected in the second half of the year as compared to the first half of the year.

### 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 as explained below:

#### a) *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.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

## (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### **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.

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 adoption IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	<u><b>2019</b></u> <u><b>SAR '000</b></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 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><b>SAR '000</b></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>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### *IFRS 16 – Leases (continued)*

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.

##### 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.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *IFRS 16 – Leases (continued)*

##### *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 present right-of-use assets under property and equipment 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	(3,953)	--
Finance cost	--	1,405
Lease settlement	--	(159)
Aa at 31 March 2019	<u>99,243</u>	<u>113,342</u>

#### b) *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.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
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.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2021. 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 having 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.

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

<i>31 March 2019 (Unaudited)</i>			
	<i>Insurance operations</i>	<i>Shareholders’ operations</i>	<i>Total</i>
	<i>SAR’000</i>		
Bank balances	<b>179,985</b>	<b>70,375</b>	<b>250,360</b>
Term deposit	<b>139,765</b>	<b>--</b>	<b>139,765</b>
	<b>319,750</b>	<b>70,375</b>	<b>390,125</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 three-months period ended 31 March 2019, the insurance operations transferred cash of SR 67 million to the shareholders’ operations (31 December 2018: SR 99 million).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**5. PREMIUMS RECEIVABLE - NET**

Receivables amounts due from the following:

	<b>31 March 2019 (Unaudited) SAR'000</b>	<b>31 December 2018 (Audited) SAR'000</b>
Policyholders	<b>1,212,422</b>	755,292
Brokers	<b>650,706</b>	364,610
Related parties (note 14)	<b>5,002</b>	--
	<b>1,868,130</b>	1,119,902
Provision for doubtful receivables	<b>(157,107)</b>	(169,231)
<b>Premiums receivable – net</b>	<b>1,711,023</b>	950,671

**6. INVESTMENTS**

Investments are classified as follows:

	<b>31 March 2019 (Unaudited)</b>			<b>31 December 2018 (Audited)</b>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<b>SAR'000</b>					
Held as FVSI	<b>296,564</b>	<b>185,504</b>	<b>482,068</b>	249,284	131,110	380,394
Available-for-sale	<b>559,559</b>	<b>735,346</b>	<b>1,294,905</b>	560,891	680,206	1,241,097
	<b>856,123</b>	<b>920,850</b>	<b>1,776,973</b>	810,175	811,316	1,621,491

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

31 March 2019 (Unaudited)					
Insurance operations			Shareholders' operations		Total
Domestic	International	Domestic	International		
SR'000					
Sukuks	31,025	--	94,079	--	125,104
Funds	265,539	--	91,425	--	356,964
	296,564	--	185,504	--	482,068
31 December 2018 (Audited)					
Insurance operations			Shareholders' operations		Total
Domestic	International	Domestic	International		
SR'000					
Sukuks	32,025	--	95,079	--	127,104
Funds	217,259	--	36,031	--	253,290
	249,284	--	131,110	--	380,394



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 31 March 2019

**6. INVESTMENTS (continued)**

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

31 March 2019 (Unaudited)					
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	235,050	286,390	253,728	189,594	964,762
Funds	--	38,119	109,124	9,258	156,501
Investments in discretionary portfolios	--	--	173,642	--	173,642
	<u>235,050</u>	<u>324,509</u>	<u>536,494</u>	<u>198,852</u>	<u>1,294,905</u>
31 December 2018 (Audited)					
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	241,784	281,828	280,697	186,924	991,233
Funds	--	37,279	109,247	10,536	157,062
Investments in discretionary portfolios	--	--	92,802	--	92,802
	<u>241,784</u>	<u>319,107</u>	<u>482,746</u>	<u>197,460</u>	<u>1,241,097</u>

The movements in the investments balance are as follows:

<i>31 March 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	810,175	811,316	1,621,491
Purchased during the period	156,000	136,000	292,000
Disposed during the period	(122,133)	(47,377)	(169,510)
Unrealized gain during the period, net	12,081	20,911	32,992
	<u>856,123</u>	<u>920,850</u>	<u>1,776,973</u>
<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)
	<u>810,175</u>	<u>811,316</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 31 March 2019

### 7. TERM DEPOSITS

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structures with a small allocation in Mudaraba structures. They are mostly denominated in Saudi Arabian Riyals and have an original maturity of more than three months and yield financial income at rates ranging from 2.75% to 4.30% per annum (2018: 2.27% to 4.10% per annum). The movements in term deposits during the period ended 31 March 2019 and year ended 31 December 2018, respectively are as follows:

	<b>31 March 2019 (Unaudited)</b>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	3,033,743	1,681,538	4,715,281
Matured during the period	(668,562)	(534,449)	(1,203,011)
Placed during the period	492,000	492,118	984,118
	<b>2,857,181</b>	<b>1,639,207</b>	<b>4,496,388</b>

  

	<b>31 December 2018 (Audited)</b>		
	<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
	<b>3,033,743</b>	<b>1,681,538</b>	<b>4,715,281</b>

### 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:

	<b>Three months ended 31 March 2019 (Unaudited)</b>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2019	3,428,131	(6,320)	3,421,811
Premium written/(ceded) during the period	2,905,447	(20,669)	2,884,778
Premium earned during the period	(2,218,182)	20,858	(2,197,324)
	<b>4,115,396</b>	<b>(6,131)</b>	<b>4,109,265</b>

  

	<b>Year ended 31 December 2018 (Audited)</b>		
	<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)
	<b>3,428,131</b>	<b>(6,320)</b>	<b>3,421,811</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 31 March 2019

## 9. TECHNICAL RESERVES (continued)

### 9.2 Net outstanding claims and reserves

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

	<i>31 March 2019 (Unaudited) SAR'000</i>	<i>31 December 2018 (Audited) SAR'000</i>
Outstanding claims	524,632	555,158
Claims incurred but not reported	920,548	898,123
Claims handling reserves	19,050	19,400
	<u>1,464,230</u>	<u>1,472,681</u>
Less:		
- Reinsurers' share of outstanding claims	(304)	(336)
- Reinsurers' share of claims incurred but not reported	(2,669)	(2,678)
	<u>(2,973)</u>	<u>(3,014)</u>
<b>Net outstanding claims and reserves</b>	<u><b>1,461,257</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 145 million as of 31 March 2019 (2018: SR 194.8 million).

## 11. COMMITMENTS AND CONTINGENCIES

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

	<i>31 March 2019 (Unaudited) SAR'000</i>	<i>31 December 2018 (Audited) SAR'000</i>
Letters of guarantee*	28,215	26,346
Operating commitments (note 3.a)	--	150,363
<b>Total</b>	<u><b>28,215</b></u>	<u><b>176,709</b></u>

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.

\* As of 31 March 2019, total Letters of Guarantee issued by banks amounted to SR 97.06 million, of which SR 28.22 million (2018: SR 26.35 million) is restricted deposits with banks and has been recorded under prepayments and other assets.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>31 March 2019 (Unaudited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	<b>5,200</b>	<b>476,868</b>	--	<b>482,068</b>	<b>482,068</b>
- Available for sale investments	<b>975,353</b>	<b>319,552</b>	--	<b>1,294,905</b>	<b>1,294,905</b>
	<b>980,553</b>	<b>796,420</b>	--	<b>1,776,973</b>	<b>1,776,973</b>
	<i>Fair value</i>				<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<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
	858,283	763,208	--	1,621,491	1,621,491

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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 31 March 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 31 March 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>As at 31 March 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	1,005,177	705,846	1,711,023	--	1,711,023
Reinsurers' share of unearned premiums	2,391	3,740	6,131	--	6,131
Reinsurers' share of outstanding claims	278	26	304	--	304
Reinsurers' share of claims incurred but not reported	2,429	240	2,669	--	2,669
Deferred policy acquisition costs	74,308	47,508	121,816		121,816
Unallocated assets			4,229,758	3,138,777	7,368,535
<b>Total assets</b>			<b>6,071,701</b>	<b>3,138,777</b>	<b>9,210,478</b>
<b>Liabilities</b>					
Unearned premiums	2,510,392	1,605,004	4,115,396	--	4,115,396
Outstanding claims	335,764	188,868	524,632	--	524,632
Claims incurred but not reported	589,151	331,397	920,548	--	920,548
Claims handling reserve	12,192	6,858	19,050	--	19,050
Unallocated liabilities			491,023	468,812	959,835
<b>Total liabilities</b>			<b>6,070,649</b>	<b>468,812</b>	<b>6,539,461</b>

  

<i>Operating segments</i>	<i>As at 31 December 2018 (Audited)</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	2,908,257	7,193,568
<b>Total assets</b>			<b>5,363,639</b>	<b>2,908,257</b>	<b>8,271,896</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 31 March 2019

**13. OPERATING SEGMENTS (continued)**

	<i>Three months period ended 31 March 2019</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b>Operating segments</b>			
<b><u>REVENUES</u></b>			
Gross written premium	1,789,235	1,116,212	2,905,447
Reinsurance premiums ceded – Local	(1,771)	(724)	(2,495)
Reinsurance premiums ceded – International	(12,904)	(5,270)	(18,174)
<b>Net premiums written</b>	<b>1,774,560</b>	<b>1,110,218</b>	<b>2,884,778</b>
Changes in unearned premiums – net	(353,864)	(333,590)	(687,454)
<b>Net premiums earned</b>	<b>1,420,696</b>	<b>776,628</b>	<b>2,197,324</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(1,304,798)	(627,083)	(1,931,881)
Reinsurers' share of claims paid	8,408	4,041	12,449
<b>Net claims paid</b>	<b>(1,296,390)</b>	<b>(623,042)</b>	<b>(1,919,432)</b>
Changes in outstanding claims	19,537	10,989	30,526
Changes in claims incurred but not reported	(14,352)	(8,073)	(22,425)
Changes in claims handling reserves	224	126	350
Reinsurance share of changes in outstanding claims	(28)	(4)	(32)
Reinsurance share of changes in claims incurred but not reported	(8)	(1)	(9)
<b>Net claims incurred</b>	<b>(1,291,017)</b>	<b>(620,005)</b>	<b>(1,911,022)</b>
Policy acquisition costs	(35,055)	(22,826)	(57,881)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(1,326,072)</b>	<b>(642,831)</b>	<b>(1,968,903)</b>
<b>NET UNDERWRITING INCOME</b>	<b>94,624</b>	<b>133,797</b>	<b>228,421</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Reversal of allowance for doubtful receivables			11,038
Unallocated income			62,617
Unallocated expenses			(200,615)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b>(126,960)</b>
<b><u>NET INCOME FOR THE PERIOD</u></b>			<b>101,461</b>
<b>Net income attributed to insurance operations</b>			<b>(7,339)</b>
<b>Net income attributed to the shareholders</b>			<b>94,122</b>

**Gross Written Premium details**

**Three months period ended 31 March 2019**  
**SAR'000**

Individuals	3,629
Micro Enterprises	16,540
Small Enterprises	194,009
Medium Enterprises	575,026
Corporates	2,116,243
<b>Total Gross Written Premium</b>	<b>2,905,447</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>For the three months ended 31 March 2018</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	1,507,523	981,634	2,489,157
Reinsurance premiums ceded – Local	(1,666)	(680)	(2,346)
Reinsurance premiums ceded – International	(10,165)	(4,153)	(14,318)
Net premiums written	1,495,692	976,801	2,472,493
Changes in unearned premiums – net	(304,497)	(229,885)	(534,382)
Net premiums earned	1,191,195	746,916	1,938,111
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(831,592)	(509,685)	(1,341,277)
Reinsurers' share of claims paid	7,812	4,788	12,600
Net claims paid	(823,780)	(504,897)	(1,328,677)
Changes in outstanding claims, net	(86,225)	(52,247)	(138,472)
Changes in claims incurred but not reported, net	(162,328)	(98,361)	(260,689)
Net claims incurred	(1,072,333)	(655,505)	(1,727,838)
Policy acquisition costs	(25,120)	(18,247)	(43,367)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b><u>(1,097,453)</u></b>	<b><u>(673,752)</u></b>	<b><u>(1,771,205)</u></b>
<b>NET UNDERWRITING RESULTS</b>	<b>93,742</b>	<b>73,164</b>	<b>166,906</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(10,847)
Unallocated income			43,115
Unallocated expenses			(189,826)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b><u>(157,558)</u></b>
<b><u>NET INCOME FOR THE PERIOD</u></b>			<b>9,348</b>
Net income attributed to insurance operations after shareholders absorption of deficit			--
Net income attributed to the shareholders			9,348
<b><u>Gross Written Premium details</u></b>			
		<i>Three months period ended 31 March 2018</i>	
		<i>SAR '000</i>	
Individuals			2,805
Micro Enterprises			12,665
Small Enterprises			161,711
Medium Enterprises			518,172
Corporates			1,793,804
<b>Total Gross Written Premium</b>			<b>2,489,157</b>



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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>31 March 2019</u> (Unaudited) SR'000	<u>31 March 2018</u> (Unaudited) SR'000	<u>31 March 2019</u> (Unaudited) SR'000	<u>31 December 2018</u> (Audited) SR'000
Shareholders	Insurance premium written	143,721	1,651	5,002	(498)**
Shareholders	Reinsurance Premium ceded	4,033	1,025	(26,911)*	(23,242)*
Shareholders	Claims paid	25,306	711	(2,896)***	(2,784)***
Shareholders	Medical costs charged by providers	15,705	2,559	(1,728)***	(110)***
Shareholders	Expenses charged to/from a related party-net	23,739	274	(236)*	(41)*
Shareholders	Tax equalisation - net	6,131	--	9,120*	2,988*
Shareholders	Board members fees	225	--	(225)*	(258)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	5,539	4,886	(26,081)*	(20,542)*

\* Amounts due to related parties amounted to SR 44,333 thousand (2018: SR 41,095 thousand).

\*\* Amounts included in premium receivables.

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

The remuneration of the key management personnel during the period ended 31 March is as follows:

	<u>31 March 2019</u> (Unaudited) SAR'000	<u>31 March 2018</u> (Unaudited) SAR'000
Short-term benefits	6,080	6,034
Long-term benefits	1,644	1,661
	<u>7,724</u>	<u>7,695</u>

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 31 March 2019

### 15. ZAKAT AND INCOME TAX

#### 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 FVIF 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.

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.

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

	<i>Zakat Payable</i>	<i>Income tax Payable</i>	<i>Total 31 March 2019 (Unaudited)</i>	<i>Total 31 December 2018 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at beginning of the year	184,295	15,489	199,784	148,704
Provided during the period/year	11,026	7,564	18,590	89,199
Payments during the period/year	(1,304)	(694)	(1,998)	(38,119)
Balance at end of the period/year	194,017	22,359	216,376	199,784

### 16. SHARE CAPITAL

The authorised, issued and paid up capital of the Company was SAR 1,200 million at 31 March 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:

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

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

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 17. 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 31 March 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.

### 18. SHARE BASED PAYMENT

The Company offers a Long-Term Incentive Plan (LTIP) to certain eligible executives. The purpose of the scheme is to incentivise the senior management team to achieve the Company's long-term goals and to attract and retain top performers. The plan provides focus on both current and future performance and enables the participants to share in the Company's success, and is measured based on net profit growth and profit margin. The plan vests over a period of a three years performance cycle. The Company's actual performance is assessed at the end of each year during the vesting period.

The LTIP scheme is an entirely equity-settled share based scheme under which the approved participants will receive Bupa Arabia shares after the completion of each three year performance period, the achievement of the performance measures, the achievement of the participant's conditions, and the completion of the required approvals. The LTIP scheme is supervised by the Nomination and Remuneration Committee (N&RC) after being approved by the Board of Directors.

The cost of the plan is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, recognised for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

The total LTIP expense recognised for employees' services received is included in 'salaries and employee related expenses' with a corresponding increase in the statement of changes in equity, as per the requirements of IFRS 2 'Share Based Payments'. Any dividend distributions on the award shares during the vesting period are accumulated and transferred to the participants upon vesting.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

## (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 18. SHARE BASED PAYMENT (continued)

The Company has a practice to reflect the grant date as the date of completion of the total LTIP shares purchases for the relevant cycle each year and to retain the LTIP shares with an investment broker, currently NCB Capital. The LTIP transaction details are provided below:

<i>Month/Period</i>	<i>Number of shares purchased / (delivered/disposed) – net</i>	<i>The grant date fair value of the shares</i>	<i>Amount 31 March 2019 SR'000</i>
July 2015	32,110	277	8,901
November 2015	18,993	221	4,200
December 2015 <sup>(1)</sup>	51,103	-	--
March 2016	92,669	115	10,693
March 2016	(2,814)	139	(390)
March 2017	(34,346)	139	(4,761)
March 2017	(6,825)	115	(788)
June 2017	96,491	115	11,061
March 2018	(10,210)	139	(1,416)
May 2018	(37,986)	111	(4,200)
June 2018 <sup>(2)</sup>	(15,378)	139	(2,132)
September 2018 <sup>(3)</sup>	121,816	94	11,494
November 2018 <sup>(4)</sup>	152,811	-	--
March 2019 <sup>(5)</sup>	(44,867)	77	(3,451)
<b>Total</b>	<b>413,567</b>		<b>29,211</b>

- 1) During December 2015 the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares.
- 2) The 2015-2017 LTIP Scheme's shares have been fully delivered to all entitled executives following the approval of the Board Nomination and Remuneration Committee.
- 3) The LTIP Scheme shares purchase value for the 2018-2020 cycle was formally approved by the shareholders in the General Assembly meeting of 31 May 2018 and these LTIP shares purchases were partially completed on 12 June 2018, at an average purchase price per share of SAR 97, and the remaining required LTIP shares purchases for this cycle were completed on 4 September 2018, at an average purchase price per share of SAR 90.
- 4) During November 2018, the Company issued Bonus shares, one for every two issued share, and as a result received an additional 152,811 LTIP shares.
- 5) The 2016-2018 LTIP Scheme's shares have been partially delivered to the entitled executives following the approval of the Board Nomination and Remuneration Committee.

### 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)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 20. EARNINGS PER SHARE

The basic and diluted 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**

### 21. SUPPLEMENTARY INFORMATION

#### Interim condensed financial position

	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	<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	319,750	70,375	390,125	272,527	17,886	290,413
Premiums receivables – net	1,711,023	--	1,711,023	950,671	--	950,671
Reinsurers' share of unearned premiums	6,131	--	6,131	6,320	--	6,320
Reinsurers' share of outstanding claims	304	--	304	336	--	336
Reinsurers' share of claims Incurred but not reported	2,669	--	2,669	2,678	--	2,678
Deferred policy acquisition costs	121,816	--	121,816	118,323	--	118,323
Investments	856,123	920,850	1,776,973	810,175	811,316	1,621,491
Prepaid expenses and other assets	196,704	40,024	236,728	168,866	34,119	202,985
Term deposits	2,857,181	1,639,207	4,496,388	3,033,743	1,681,538	4,715,281
Fixtures, Furniture and Right of use assets – net	--	177,285	177,285	--	81,243	81,243
Intangible assets – net	--	65,223	65,223	--	57,273	57,273
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	120,000	120,000
Accrued income on statutory deposit	--	7,813	7,813	--	6,882	6,882
<b>TOTAL ASSETS</b>	<b>6,071,701</b>	<b>3,138,777</b>	<b>9,210,478</b>	<b>5,363,639</b>	<b>2,908,257</b>	<b>8,271,896</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed financial position (continued)**

	<i>31 March 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>	<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	277,546	117,563	395,109	281,025	4,784	285,809
Insurance operations' surplus payable	146,205	--	146,205	139,755	--	139,755
Reinsurers' balances payable	67,272	--	67,272	50,636	--	50,636
Unearned premiums	4,115,396	--	4,115,396	3,428,131	--	3,428,131
Outstanding claims	524,632	--	524,632	555,158	--	555,158
Claims incurred but not reported	920,548	--	920,548	898,123	--	898,123
Claims handling reserve	19,050	--	19,050	19,400	--	19,400
Due to related parties	--	44,333	44,333	--	41,095	41,095
Provision for end-of-service benefits	--	82,727	82,727	--	81,395	81,395
Provision for zakat and income tax	--	216,376	216,376	--	199,784	199,784
Accrued income payable to SAMA	--	7,813	7,813	--	6,882	6,882
<b>TOTAL LIABILITIES</b>	<b>6,070,649</b>	<b>468,812</b>	<b>6,539,461</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	--	16,377	16,377	--	17,579	17,579
Shares held under employees share scheme	--	(29,211)	(29,211)	--	(32,662)	(32,662)
Retained earnings	--	883,916	883,916	--	811,153	811,153
Re-measurement reserve of defined benefit obligation	--	(8,922)	(8,922)	--	(8,922)	(8,922)
Investments fair value reserve	1,052	(1,306)	(254)	(8,589)	(21,942)	(30,531)
<b>TOTAL EQUITY</b>	<b>1,052</b>	<b>2,669,965</b>	<b>2,671,017</b>	<b>(8,589)</b>	<b>2,574,317</b>	<b>2,565,728</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b>6,071,701</b>	<b>3,138,777</b>	<b>9,210,478</b>	<b>5,363,639</b>	<b>2,908,257</b>	<b>8,271,896</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of income**

*For the three-month period ended 31 March (Unaudited)*

	<b>2019</b>			<b>2018</b>		
	<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><u>REVENUES</u></b>						
Gross premiums written	2,905,447	--	2,905,447	2,489,157	--	2,489,157
Reinsurance premiums ceded – Local	(2,495)	--	(2,495)	(2,346)	--	(2,346)
Reinsurance premiums ceded – International	(18,174)	--	(18,174)	(14,318)	--	(14,318)
<b>Net premiums written</b>	<b>2,884,778</b>	<b>--</b>	<b>2,884,778</b>	<b>2,472,493</b>	<b>--</b>	<b>2,472,493</b>
Changes in unearned premiums – net	(687,454)	--	(687,454)	(534,382)	--	(534,382)
<b>Net premiums earned</b>	<b>2,197,324</b>	<b>--</b>	<b>2,197,324</b>	<b>1,938,111</b>	<b>--</b>	<b>1,938,111</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(1,931,881)	--	(1,931,881)	(1,341,277)	--	(1,341,277)
Reinsurers' share of claims paid	12,449	--	12,449	12,600	--	12,600
<b>Net claims paid</b>	<b>(1,919,432)</b>	<b>--</b>	<b>(1,919,432)</b>	<b>(1,328,677)</b>	<b>--</b>	<b>(1,328,677)</b>
Changes in outstanding claims	30,526	--	30,526	(138,472)	--	(138,472)
Changes in claims incurred but not reported	(22,425)	--	(22,425)	(260,689)	--	(260,689)
Changes in claims handling reserves	350	--	350	--	--	--
Reinsurance share of changes in outstanding claims	(32)	--	(32)	(8)	--	(8)
Reinsurance share of changes in claims incurred but not reported	(9)	--	(9)	8	--	8
<b>Net claims incurred</b>	<b>(1,911,022)</b>	<b>--</b>	<b>(1,911,022)</b>	<b>(1,727,838)</b>	<b>--</b>	<b>(1,727,838)</b>
Policy acquisition costs	(57,881)	--	(57,881)	(43,367)	--	(43,367)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,968,903)</b>	<b>--</b>	<b>(1,968,903)</b>	<b>(1,771,205)</b>	<b>--</b>	<b>(1,771,205)</b>
<b>NET UNDERWRITING INCOME</b>	<b>228,421</b>	<b>--</b>	<b>228,421</b>	<b>166,906</b>	<b>--</b>	<b>166,906</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

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

*For the three-month period ended 31 March (Unaudited)*

	<b>2019</b>			<b>2018</b>		
	<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><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>						
(Allowance)/reversal for doubtful debts provision	11,038	--	11,038	(10,847)	--	(10,847)
General and administrative expenses	(106,340)	(2,265)	(108,605)	(103,362)	(2,310)	(105,672)
Selling and marketing expenses	(92,010)	--	(92,010)	(84,154)	--	(84,154)
Investment income – net	33,689	23,139	56,828	22,934	20,790	43,724
Other income / (loss)	(1,404)	7,193	5,789	--	(609)	(609)
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(155,027)</b>	<b>28,067</b>	<b>(129,960)</b>	<b>(175,429)</b>	<b>17,871</b>	<b>(157,558)</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>73,394</b>	<b>28,067</b>	<b>101,461</b>	<b>(8,523)</b>	<b>17,871</b>	<b>9,348</b>
Transfer of surplus to shareholders	(66,055)	66,055	--	--	--	--
Absorption of deficit by shareholders	--	--	--	8,523	(8,523)	--
<b><u>NET RESULT FROM OPERATIONS AFTER SHAREHOLDERS' ABSORPTION OF DEFICIT / TRANSFER OF SURPLUS</u></b>	<b>7,339</b>	<b>94,122</b>	<b>101,461</b>	<b>--</b>	<b>9,348</b>	<b>9,348</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,550</b>			<b>79,755</b>	
<b>Basic earnings per share (Expressed in SAR per share)</b>		<b>0.79</b>			<b>0.12</b>	



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

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

	<i>For the three-month period ended 31 March (Unaudited)</i>					
	<i>2019</i>			<i>2018</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>
Net Income for the period	7,339	94,122	101,461	--	9,348	9,348
<b>Other comprehensive income / (loss)</b>						
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>						
Net movement in fair value of available-for-sale investments	9,641	20,636	30,277	(4,675)	(2,289)	(6,964)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>16,980</b>	<b>114,758</b>	<b>131,738</b>	<b>(4,675)</b>	<b>7,059</b>	<b>2,384</b>
Reconciliation:						
Less: Net income attributable to insurance operations (transferred to surplus payable)			(7,339)			--
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			<b>124,399</b>			<b>2,384</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of cash flows**

	<i>For the three months period ended 31 March (Unaudited)</i>					
	<i>2019</i>			<i>2018</i>		
	<i>Insurance</i>	<i>Share-</i>	<i>Total</i>	<i>Insurance</i>	<i>Share-</i>	<i>Total</i>
	<i>operations</i>	<i>holders' operations</i>		<i>operations</i>	<i>holders' operations</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders	--	94,122	94,122	--	9,348	9,348
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	7,339	--	7,339	--	--	--
Depreciation and amortization of Fixtures, Furniture and Right of use assets	7,582	--	7,582	2,890	--	2,890
Amortization of intangible assets	3,582	--	3,582	1,486	--	1,486
Provision for LTIP	--	2,249	2,249	--	1,500	1,500
(Reversal of) / Allowance of doubtful receivables provision	(11,038)	--	(11,038)	10,847	--	10,847
Unrealized gains on investments held as FVSI	(2,169)	(275)	(2,444)	(1,418)	(689)	(2,107)
Realized gains on investments	(1,018)	4,416	3,398	(748)	(7,150)	(7,898)
Provision for end-of-service benefits	--	3,764	3,764	--	4,454	4,454
	4,278	104,276	108,554	13,057	7,463	20,520
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(749,314)	--	(749,314)	(1,057,945)	--	(1,057,945)
Reinsurers' share of unearned premiums	189	--	189	3,794	--	3,794
Reinsurers' share of outstanding claims	32	--	32	8	--	8
Reinsurers' share of claims incurred but not reported	9	--	9	(8)	--	(8)
Deferred policy acquisition costs	(3,493)	--	(3,493)	(10,233)	--	(10,233)
Prepaid expenses and other assets	(27,838)	(5,905)	(33,743)	4,850	(1,934)	2,916
Accrued and other liabilities	(3,479)	(563)	(4,042)	68,336	(609)	67,727
Reinsurers' balances payable	16,636	--	16,636	15,640	--	15,640
Unearned premiums	687,265	--	687,265	530,588	--	530,588
Outstanding claims	(30,526)	--	(30,526)	138,472	--	138,472
Claims incurred but not reported	22,425	--	22,425	260,689	--	260,689
Claims handling reserve	(350)	--	(350)	--	--	--
Due to related parties	--	9,369	9,369	--	5,781	5,781
Increase in lease liabilities	--	1,405	1,405	--	--	--
Due to shareholders' operations	(11,164)	11,164	--	(204,376)	204,376	--
	(95,330)	119,746	24,416	(237,128)	215,077	(22,051)
End-of-service benefits paid	--	(2,432)	(2,432)	--	(3,894)	(3,894)
Surplus paid to policyholders	(889)	--	(889)	(10,420)	--	(10,420)
Zakat and income tax paid	--	(1,998)	(1,998)	--	--	--
<b>Net cash generated from / (used in) operating activities</b>	<b>(96,219)</b>	<b>115,316</b>	<b>19,097</b>	<b>(247,548)</b>	<b>211,183</b>	<b>(36,365)</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**21. SUPPLEMENTARY INFORMATION (continued)**

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

	<i>For the three months period ended 31 March (Unaudited)</i>					
	<i>2019</i>			<i>2018</i>		
	<i>Insurance</i>	<i>Share-</i>	<i>Total</i>	<i>Insurance</i>	<i>Share-</i>	<i>Total</i>
	<i>operations</i>	<i>holders'</i>		<i>operations</i>	<i>holders'</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(492,000)	(492,118)	(984,118)	(448,500)	(459,449)	(907,949)
Proceeds from maturity of term deposits	668,562	534,449	1,203,011	616,936	180,585	797,521
Additions to investments	(156,000)	(136,000)	(292,000)	(344,621)	(333,105)	(677,726)
Disposals of investments	122,880	42,961	165,841	441,621	437,827	879,448
Additions to property and equipment	--	(529)	(529)	--	(6,039)	(6,039)
Disposal of property and equipment	--	101	101	--	--	--
Intangible assets acquired	--	(11,532)	(11,532)	--	(325)	(325)
<b>Net cash generated from investing activities</b>	<b>143,442</b>	<b>(62,668)</b>	<b>80,774</b>	<b>265,436</b>	<b>(180,506)</b>	<b>84,930</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Lease liabilities paid	--	(159)	(159)	--	--	--
<b>Net cash used in financing activities</b>	<b>--</b>	<b>(159)</b>	<b>(159)</b>	<b>--</b>	<b>--</b>	<b>--</b>
Net change in cash and cash equivalents	47,223	52,489	99,712	17,888	30,677	48,565
Cash and cash equivalents at beginning of the year	272,527	17,886	290,413	110,384	119,500	229,884
<b>Cash and cash equivalents at end of the period</b>	<b>319,750</b>	<b>70,375</b>	<b>390,125</b>	<b>128,272</b>	<b>150,177</b>	<b>278,449</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 8 Ramadan 1440H corresponding to 13 May 2019.