

**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 2018**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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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 30 September 2018, and the related interim condensed statements of income, comprehensive income for the three-month and nine-month periods then ended, the related interim statements of changes in equity and cash flows for the nine-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
Certified Public Accountant
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for Ernst & Young
(Public Accountants)

Ahmed I. Reda
Certified Public Accountant
License No. 356



Jeddah, Kingdom of Saudi Arabia
14 Safar 1440H
Corresponding to 23 October 2018



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
<u>ASSETS</u>			
Cash and cash equivalents	4	376,352	229,884
Term deposits	5	4,228,151	3,945,383
Premiums receivable – net	6	2,277,693	870,982
Investments	7,12	1,598,786	1,721,690
Reinsurers' share of unearned premiums	9.1	8,871	5,146
Reinsurers' share of outstanding claims	9.2	820	360
Reinsurers' share of claims incurred but not reported	9.2	2,366	670
Deferred policy acquisition costs		100,155	71,076
Prepaid expenses and other assets		175,300	170,528
Statutory deposit	8	80,000	80,000
Accrued income on statutory deposit	8	6,373	5,121
Fixtures, furniture and equipment – net		82,873	93,617
Intangible assets – net		50,985	39,880
Goodwill		98,000	98,000
TOTAL ASSETS		9,086,725	7,332,337
<u>LIABILITIES</u>			
Accrued and other liabilities		251,110	145,598
Reinsurers' balances payable		77,903	39,613
Unearned premiums	9.1	4,366,629	3,091,079
Outstanding claims	9.2	576,870	450,249
Claims incurred but not reported	9.2	843,086	871,998
Claims handling reserve	9.2	19,289	19,289
Due to related parties	14	39,828	33,586
Insurance operations' surplus payable		137,661	138,581
Zakat and income tax	15	185,862	148,704
Accrued income payable to SAMA	8	6,373	5,121
Provision for end-of-service benefits		70,707	66,469
TOTAL LIABILITIES		6,575,318	5,010,287
<u>EQUITY</u>			
Share capital	16	800,000	800,000
Shares held under employees share scheme	19	(32,662)	(28,915)
Statutory reserve	18	504,025	504,025
Share based-payments	19	15,313	17,220
Investments fair value reserve – related to shareholders		(13,928)	(1,880)
Retained earnings		1,244,718	1,030,887
TOTAL SHAREHOLDERS' EQUITY		2,517,466	2,321,337
Investments fair value reserve – related to policyholders		(6,059)	713
TOTAL EQUITY		2,511,407	2,322,050
TOTAL LIABILITIES AND EQUITY		9,086,725	7,332,337

Chairman


NADER ASHOOR
 Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 24 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 2018

Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
REVENUES				
Gross premiums written	2,831,881	2,522,625	7,340,649	6,623,173
Reinsurance premiums ceded – Local	(989)	(1,639)	(7,155)	(4,693)
Reinsurance premiums ceded – International	(16,624)	(24,011)	(54,258)	(53,504)
Net premiums written	2,814,268	2,496,975	7,279,236	6,564,976
Changes in unearned premiums, net	(718,641)	(560,015)	(1,271,825)	(842,220)
Net premiums earned	2,095,627	1,936,960	6,007,411	5,722,756
UNDERWRITING COSTS & EXPENSES				
Gross claims paid	(1,832,005)	(1,535,731)	(4,814,858)	(4,819,227)
Reinsurers' share of claims paid	–	9,283	12,600	9,283
Net claims paid	(1,832,005)	(1,526,448)	(4,802,258)	(4,809,944)
Changes in outstanding claims, net	171,087	(258,563)	(126,161)	(190,579)
Changes in claims incurred but not reported, net	28,678	309,672	30,608	333,919
Net claims incurred	(1,632,240)	(1,475,339)	(4,897,811)	(4,666,604)
Policy acquisition costs	(43,393)	(46,973)	(139,666)	(145,861)
TOTAL UNDERWRITING COSTS & EXPENSES	(1,675,633)	(1,522,312)	(5,037,477)	(4,812,465)
NET UNDERWRITING RESULTS	419,994	414,648	969,934	910,291
OTHER OPERATING (EXPENSES)/ INCOME				
Allowance for doubtful receivables	(4,098)	(38,790)	(93,773)	(67,697)
General and administrative expenses	(104,958)	(96,349)	(311,703)	(277,437)
Selling and marketing expenses	(89,706)	(74,212)	(233,104)	(240,866)
Investment income	43,825	35,032	132,875	116,043
Other Income/(loss)	4,469	(409)	9,542	(409)
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(150,468)	(174,728)	(496,163)	(470,366)
NET INCOME FOR THE PERIOD	269,526	239,920	473,771	439,925
Net income attributed to the insurance operations	(24,746)	(22,939)	(40,780)	(40,478)
Net income attributed to the shareholders	244,780	216,981	432,991	399,447
Weighted average number of ordinary outstanding shares (in thousands)	79,749	79,753	79,760	79,793
Basic earnings per share (Expressed in SAR per Share)	3.07	2.72	5.43	5.01

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

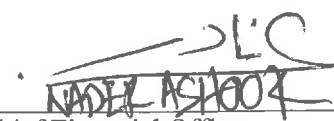
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2018

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2018 SAR'000</i>	<i>2017 SAR'000</i>	<i>2018 SAR'000</i>	<i>2017 SAR'000</i>
Net income attributed to the shareholders	244,780	216,981	432,991	399,447
Other comprehensive income				
<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:				
- related to shareholders	(5,412)	(1,442)	(12,048)	(1,754)
- related to policyholders	1,332	398	(6,772)	1,831
	(4,080)	(1,044)	(18,820)	77
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	240,700	215,937	414,171	399,524


Chairman


Director and Chief Executive Officer


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 nine-months period ended 30 September 2018

	Related to shareholders							Investments fair value reserve – related to policyholders SAR'000	Total shareholders' equity SAR'000	Total equity SAR'000
	Share capital SAR'000	Shares held under employees share scheme SAR'000	Statutory reserve SAR'000	Share based payments SAR'000	Investments fair value reserve SAR'000	Retained earnings SAR'000	Total shareholders' equity SAR'000			
2018										
Balance at 1 January 2018 (audited)	800,000	(28,915)	504,025	17,220	(1,880)	1,030,887	2,321,337	713	2,322,050	
Total comprehensive income for the period										
Net income for the period attributed to shareholders	--	--	--	--	--	432,991	432,991	--	432,991	
Changes in fair value of available-for-sale investments	--	--	--	--	(12,048)	--	(12,048)	(6,772)	(18,820)	
Total comprehensive (loss)/income for the period	--	--	--	--	(12,048)	432,991	420,943	(6,772)	414,171	
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)	
Zakat and income tax charge	--	--	--	--	--	(65,291)	(65,291)	--	(65,291)	
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	(32,662)	504,025	15,313	(13,928)	1,244,718	2,517,466	(6,059)	2,511,407	

Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes from 1 to 24 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 2018

	Related to shareholders							Investments fair value reserve – related to policyholders SAR'000	Total shareholders' equity SAR'000	Total equity SAR'000
	Share capital SAR'000	Shares held under employees share scheme SAR'000	Statutory reserve SAR'000	Share based payments SAR'000	Share based payments SAR'000	Investments fair value reserve SAR'000	Retained earnings SAR'000			
2017										
Balance at 1 January 2017 (audited)	800,000	(23,404)	403,902	16,931	--	--	829,625	2,027,054	--	2,027,054
Total comprehensive income for the period	--	--	--	--	--	--	399,447	399,447	--	399,447
Net income for the period attributed to shareholders	--	--	--	--	--	--	399,447	399,447	--	399,447
Changes in fair value of available-for-sale investments	--	--	--	--	--	(1,754)	--	(1,754)	1,831	77
Total comprehensive (loss)/income for the period	--	--	--	--	--	(1,754)	399,447	397,693	1,831	399,524
Share based payment transactions	--	--	--	(476)	--	--	--	(476)	--	(476)
Purchase/disposal of shares under LTIP – net	--	(5,511)	--	--	--	--	--	(5,511)	--	(5,511)
Zakat and income tax charge	--	--	--	--	--	--	(56,361)	(56,361)	--	(56,361)
Dividends paid (note 17)	--	--	--	--	--	--	(120,000)	(120,000)	--	(120,000)
Balance at 30 September 2017 (unaudited)	800,000	(28,915)	403,902	16,455	(1,754)	(1,754)	1,052,711	2,242,399	1,831	2,244,230

Chairman




Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes from 1 to 24 an integral part of these interim condensed financial statements.

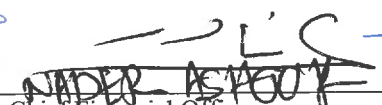
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For nine-months period ended 30 September 2018

	Notes	<i>Nine-month period ended</i>	
		<i>2018</i>	<i>2017</i>
		<i>SAR'000</i>	<i>SAR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders		432,991	399,447
<u>Adjustments for non-cash items:</u>			
Net income attributed to the insurance operations		40,780	40,478
Depreciation of fixtures, furniture and equipment		10,353	8,198
Amortization of intangible assets		4,540	4,117
Share based-payments expense		5,840	(476)
Allowance for doubtful receivables		93,773	67,697
Unrealized gains on investments held as FVSI		(5,359)	(10,272)
Realized gains on investments held as FVSI	7	(9,184)	(4,068)
Provision for end-of-service benefits		12,579	9,357
Loss on disposal of fixture, furniture and equipment		--	433
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(1,500,484)	(985,358)
Reinsurers' share of unearned premiums		(3,725)	(5,821)
Reinsurers' share of outstanding claims		(460)	242
Reinsurers' share of claims Incurred but not reported		(1,696)	448
Deferred policy acquisition costs		(29,079)	(63)
Prepaid expenses and other assets		(4,772)	5,942
Accrued and other liabilities		105,512	11,800
Reinsurers' balances payable		38,290	47,077
Unearned premiums		1,275,550	848,042
Outstanding claims		126,621	186,950
Claims incurred but not reported		(28,912)	(330,981)
Due to related parties		6,242	2,212
		<u>569,400</u>	<u>295,401</u>
End-of-service benefits paid		(8,341)	(2,780)
Surplus paid to policyholders		(41,700)	(54,828)
Zakat and income tax paid		(28,133)	(37,992)
Net cash generated from operating activities		<u>491,226</u>	<u>199,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	5	(3,661,298)	(3,123,159)
Proceeds from maturity of term deposits	5	3,378,530	3,714,607
Additions to investments	7	(1,389,129)	(2,036,309)
Disposals of investments	7	1,507,756	1,421,134
Additions to fixtures, furniture and equipment		(4,025)	(37,735)
Disposal of fixture, furniture and equipment		--	8
Intangible assets acquired		(11,229)	(6,962)
Purchase of shares under LTIP – net		(11,494)	(5,511)
Net cash used in investing activities		<u>(190,889)</u>	<u>(73,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(160,000)	(120,000)
Income tax recovered from non-Saudi shareholders		6,131	--
Net cash used in financing activities		<u>(153,869)</u>	<u>(120,000)</u>
Net change in cash and cash equivalents		146,468	5,874
Cash and cash equivalents at beginning of the period		229,884	225,830
Cash and cash equivalents at end of the period		<u>376,352</u>	<u>231,704</u>
<u>Non-cash transactions</u>			
Unrealised (losses)/gains on available for sale investments		(18,820)	77
Zakat and income tax credited to retained earnings		65,291	56,361

Chairman


NADER AL-HADI
Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 24 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 2018

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-Khaledeyah 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 equipment, 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 2018

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. The Company’s interim condensed financial statements until 31 December 2017, presented separately the statement of financial position, statements of income, comprehensive income and cash flows for the insurance operations and shareholders’ operations.

During the current period, SAMA issued illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders’ operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders’ operations are uniform for like transactions and events in similar circumstances.

In preparing these interim condensed financial statements comparative amounts were also combined to conform with the current period presentation in line with SAMA requirements and this has no impact on the previously reported net profit and retained earnings. However, note 22 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 2017.

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 2017.

(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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

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 2017, 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 2018 and accordingly adopted by the Company, as applicable:

<u>Standard/ Amendments</u>	<u>Description</u>
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within the IFRS. IFRS 15 does not apply to “revenue from insurance contracts”. However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts).

Management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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.

<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
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

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 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 2021.

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.

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At 30 September 2018

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>30 September 2018 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	229,630	71,722	301,352
Term deposit	--	75,000	75,000
	229,630	146,722	376,352
	<i>31 December 2017 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	110,384	119,500	229,884

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 2018, the insurance operations transferred cash of SR 84.4 million to the shareholders' operations (31 December 2017: SR 420.5 million).

5. 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 2.25% to 4.00% per annum (2017: 2.15% to 4.00% per annum). The movements in term deposits during the period ended 30 September 2018 and year ended 31 December 2017, respectively are as follows:

	<i>30 September 2018 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at beginning of the period	2,912,577	1,032,806	3,945,383
Matured during the period	(2,680,311)	(698,219)	(3,378,530)
Placed during the period	2,495,094	1,166,204	3,661,298
	2,727,360	1,500,791	4,228,151
	<i>31 December 2017 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at beginning of the year	3,057,816	987,494	4,045,310
Matured during the year	(3,057,816)	(987,494)	(4,045,310)
Placed during the year	2,912,577	1,032,806	3,945,383
	2,912,577	1,032,806	3,945,383

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6. PREMIUMS RECEIVABLE - NET

Receivables amounts due from the following:

	<i>30 September 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Policyholders	2,044,498	732,557
Brokers	462,834	280,873
Related parties (note 14)	3,029	226
	2,510,361	1,013,656
Provision for doubtful receivables	(232,668)	(142,674)
Premiums receivable – net	2,277,693	870,982

7. INVESTMENTS

Investments are classified as follows:

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (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	209,495	199,708	409,203	411,441	495,966	907,407
Available-for-sale	553,999	635,584	1,189,583	409,335	404,948	814,283
						1,721,69
	763,494	835,292	1,598,786	820,776	900,914	0

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

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (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>					
Sukuks	32,025	95,079	127,104	32,025	95,079	127,104
Mutual Funds	177,470	104,629	282,099	379,416	299,987	679,403
Investments in discretionary portfolio	--	--	--	--	100,900	100,900
	209,495	199,708	409,203	411,441	495,966	907,407

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At 30 September 2018

7. INVESTMENTS (continued)

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

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (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>		
Sukuks	516,449	414,897	931,346	371,834	388,727	760,561
Mutual Funds	37,550	124,367	161,917	37,501	16,221	53,722
Investments in discretionary portfolio	--	96,320	96,320	--	--	--
	553,999	635,584	1,189,583	409,335	404,948	814,283

The movements in the investments balance are as follows:

	<i>30 September 2018 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	820,776	900,914	1,721,690
Purchases during the period	856,128	533,001	1,389,129
Disposals during the period	(910,742)	(587,830)	(1,498,572)
Unrealized losses during the period	(2,668)	(10,793)	(13,461)
	763,494	835,292	1,598,786

	<i>31 December 2017 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the year	544,090	714,330	1,258,420
Purchases during the year	958,724	1,462,848	2,421,572
Disposals during the year	(687,758)	(1,281,673)	(1,969,431)
Unrealized gains during the year	5,720	5,409	11,129
	820,776	900,914	1,721,690

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

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 80 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 months ended 30 September 2018 (Unaudited)</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 period	7,340,649	(61,413)	7,279,236
Premium earned during the period	(6,065,099)	57,688	(6,007,411)
	4,366,629	(8,871)	4,357,758
	<i>Year ended 31 December 2017 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2017	3,094,990	(1,356)	3,093,634
Premium written/(ceded) during the year	7,732,961	(68,348)	7,664,613
Premium earned during the year	(7,736,872)	64,558	(7,672,314)
	3,091,079	(5,146)	3,085,933

9.2 Net outstanding claims and reserves

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

	<i>30 September</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Outstanding claims	576,870	450,249
Claims incurred but not reported	843,086	871,998
Claims handling reserves	19,289	19,289
	1,439,245	1,341,536
Less:		
- Reinsurers' share of outstanding claims	(820)	(360)
- Reinsurers' share of claims incurred but not reported	(2,366)	(670)
	(3,186)	(1,030)
Net outstanding claims and reserves	1,436,059	1,340,506

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At 30 September 2018

10. FIDUCIARY ASSETS

During the period ended 30 September 2018 and 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 167 million as of 30 September 2018 (2017: nil).

11. COMMITMENTS AND CONTINGENCIES

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

	<i>30 September 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Letters of guarantee*	58,854	32,682
Operating commitments	155,213	169,764
Total	214,067	202,446

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 2017.

c) As of 30 September 2018, total Letters of Guarantee issued by banks amounted to SR 58.85 million, of which SR 27.65 million (2017: SR 32.68 million) is restricted deposits with banks and has been recorded under prepayments and other assets.

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At 30 September 2018

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>30 September 2018 (Unaudited)</i>					
Financial assets measured at fair value					
- Investments held as FVSI	5,846	403,357	--	409,203	409,203
- Available for sale investments	767,672	421,911	--	1,189,583	1,189,583
	<u>773,518</u>	<u>825,268</u>	<u>--</u>	<u>1,598,786</u>	<u>1,598,786</u>

	<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>31 December 2017 (Audited)</i>					
Financial assets measured at fair value					
- Investments held as FVSI	106,290	801,117	--	907,407	907,407
- Available for sale investments	453,157	361,126	--	814,283	814,283
	<u>559,447</u>	<u>1,162,243</u>	<u>--</u>	<u>1,721,690</u>	<u>1,721,690</u>

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At 30 September 2018

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 2018 and 31 December 2017, 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 sukuks 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, murabaha 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

13. OPERATING SEGMENTS (continued)

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:

<i>Operating segments</i>	<i>As at 30 September 2018 (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>	<i>SAR'000</i>
Assets					
Premiums receivable - net	1,338,079	939,614	2,277,693	--	2,277,693
Reinsurers' share of unearned premiums	3,460	5,411	8,871	--	8,871
Reinsurers' share of outstanding claims	525	295	820	--	820
Reinsurers' share of claims incurred but not reported	1,514	852	2,366	--	2,366
Deferred policy acquisition costs	60,525	39,630	100,155	--	100,155
Unallocated assets	--	--	3,869,166	2,827,654	6,696,820
Total assets			6,259,071	2,827,654	9,086,725
Liabilities					
Unearned premiums	2,663,644	1,702,985	4,366,629	--	4,366,629
Outstanding claims	369,197	207,673	576,870	--	576,870
Claims incurred but not reported	539,575	303,511	843,086	--	843,086
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	459,256	310,188	769,444
Total liabilities			6,265,130	310,188	6,575,318

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At 30 September 2018

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>As at 31 December 2017 (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>
Assets					
Premiums receivable - net	511,677	359,305	870,982	--	870,982
Reinsurers' share of unearned premiums	--	5,146	5,146	--	5,146
Reinsurers' share of outstanding claims	937	93	1,030	--	1,030
Deferred policy acquisition costs	41,223	29,853	71,076	--	71,076
Unallocated assets	--	--	4,001,272	2,382,831	6,384,103
Total assets			4,949,506	2,382,831	7,332,337
Liabilities					
Unearned premiums	1,890,131	1,200,948	3,091,079	--	3,091,079
Outstanding claims	296,183	154,066	450,249	--	450,249
Claims incurred but not reported	550,055	321,943	871,998	--	871,998
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	316,178	261,494	577,672
Total liabilities			4,748,793	261,494	5,010,287

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three months period ended 30 September 2018</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
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
<u>UNDERWRITING COSTS AND EXPENSES</u>			
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, net	114,628	56,459	171,087
Changes in claims incurred but not reported, net	19,900	8,778	28,678
Net claims incurred	(1,092,914)	(539,326)	(1,632,240)
Policy acquisition costs	(26,447)	(16,946)	(43,393)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(1,119,361)	(556,272)	(1,675,633)
NET UNDERWRITING RESULTS	205,414	214,580	419,994
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(4,098)
Unallocated income			48,294
Unallocated expenses			(194,664)
<u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u>			(150,468)
<u>NET INCOME FOR THE PERIOD</u>			269,526
Net income attributed to insurance operations			(24,746)
Net income attributed to the shareholders			244,780

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13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three months period ended 30 September 2017 (Unaudited)</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
Gross premiums written	1,937,310	585,315	2,522,625
Reinsurance premiums ceded – Local	(999)	(640)	(1,639)
Reinsurance premiums ceded – International	(14,640)	(9,371)	(24,011)
Net premiums written	1,921,671	575,304	2,496,975
Changes in unearned premiums, net	(732,492)	172,477	(560,015)
Net premiums earned	1,189,179	747,781	1,936,960
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(982,868)	(552,863)	(1,535,731)
Reinsurers' share of claims paid	5,941	3,342	9,283
Net claims paid	(976,927)	(549,521)	(1,526,448)
Changes in outstanding claims, net	(199,094)	(59,469)	(258,563)
Changes in claims incurred but not reported, net	238,449	71,223	309,672
Net claims incurred	(937,572)	(537,767)	(1,475,339)
Policy acquisition costs	(28,654)	(18,319)	(46,973)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(966,226)	(556,086)	(1,522,312)
NET UNDERWRITING RESULTS	222,953	191,695	414,648
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(38,790)
Unallocated income			34,623
Unallocated expenses			(170,561)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>			(174,728)
<u>NET INCOME FOR THE PERIOD</u>			239,920
Net income attributed to insurance operations			(22,939)
Net income attributed to the shareholders			216,981

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine months period ended 30 September 2018</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
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
<u>UNDERWRITING COSTS AND EXPENSES</u>			
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, net	(71,088)	(55,073)	(126,161)
Changes in claims incurred but not reported, net	(55,522)	86,130	30,608
Net claims incurred	(3,206,293)	(1,691,518)	(4,897,811)
Policy acquisition costs	(84,393)	(55,273)	(139,666)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(3,290,686)	(1,746,791)	(5,037,477)
NET UNDERWRITING RESULTS	467,060	502,874	969,934
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(93,773)
Unallocated income			142,417
Unallocated expenses			(544,807)
<u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u>			(496,163)
<u>NET INCOME FOR THE PERIOD</u>			473,771
Net income attributed to insurance operations			(40,780)
Net income attributed to the shareholders			432,991

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine months period ended 30 September 2017</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>(Unaudited)</i>		
	<i>SAR '000</i>		
<u>REVENUES</u>			
Gross premiums written	4,251,964	2,371,209	6,623,173
Reinsurance premiums ceded – Local	(2,860)	(1,833)	(4,693)
Reinsurance premiums ceded – International	(34,332)	(19,172)	(53,504)
Net premiums written	4,214,772	2,350,204	6,564,976
Changes in unearned premiums, net	(712,005)	(130,215)	(842,220)
Net premiums earned	3,502,767	2,219,989	5,722,756
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(3,093,221)	(1,726,006)	(4,819,227)
Reinsurers' share of claims paid	5,941	3,342	9,283
Net claims paid	(3,087,280)	(1,722,664)	(4,809,944)
Changes in outstanding claims, net	(146,746)	(43,833)	(190,579)
Changes in claims incurred but not reported, net	237,751	96,168	333,919
Net claims incurred	(2,996,275)	(1,670,329)	(4,666,604)
Policy acquisition costs	(88,977)	(56,884)	(145,861)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(3,085,252)	(1,727,213)	(4,812,465)
NET UNDERWRITING RESULTS	417,515	492,776	910,291
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(67,697)
Unallocated income			115,634
Unallocated expenses			(518,303)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>			(470,366)
<u>NET INCOME FOR THE PERIOD</u>			439,925
Net income attributed to insurance operations			(40,478)
Net income attributed to the shareholders			399,447

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

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 2018 (Unaudited)</u>	<u>30 September 2017 (Unaudited)</u>	<u>30 September 2018 (Unaudited)</u>	<u>31 December 2017 (Audited)</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Shareholders	Insurance premium written	30,705	27,950	3,029	226
Shareholders	Reinsurance Premium ceded	13,714	11,262	(22,414)*	(11,476)*
Shareholders	Claims paid	12,172	8,821	(1,104)	(1,113)
Shareholders	Medical costs charged by providers	21,523	9,728	(2,588)	(138)
Shareholders	Expenses charged to/from a related party-net	680	388	(1,673)*	(820)*
Shareholders	Tax equalisation – net	6,131	--	--	(1,169)*
Shareholders	Board member fees	600	600	(600)*	(800)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	15,141	14,431	(15,141)*	(19,321)*
Board member (related party)	Shariah review services	--	113	--	--

* Amounts due to related parties amounted to SR 39,828 thousand (2017: SR 33,586 thousand).

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

	<u>30 September 2018 (Unaudited) SAR'000</u>	<u>30 September 2017 (Unaudited) SAR'000</u>
Short-term benefits	20,034	19,961
Long-term benefits	5,281	4,556
	25,315	24,517

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

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At 30 September 2018

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 2017 with the General Authority of Zakat and Tax (the "GAZT").

The Company has received final assessments for the fiscal periods 2008 through 2012 and initial assessments for the periods 2013 and 2014 raising additional demands aggregating to SR 40 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. The Company's management strongly believes in their stance and expects the decision to be received in their favour but has also accrued an additional contingent provision for Zakat.

The Company is also awaiting the GAZT 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.

The GAZT has not yet raised any assessment for the years 2015, 2016 and 2017.

Movements in the Zakat and income tax accrued during the period ended 30 September 2018 and year ended 31 December 2017 respectively are as follows:

	<i>Zakat Payable</i>	<i>Income tax Payable</i>	<i>Total 30 September 2018 (Unaudited)</i>	<i>Total 31 December 2017 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at beginning of the year	144,325	4,379	148,704	116,953
Provided during the period/year	34,036	31,255	65,291	79,229
Payments during the period/year	(8,257)	(19,876)	(28,133)	(47,478)
Balance at end of the period/year	<u>170,104</u>	<u>15,758</u>	<u>185,862</u>	<u>148,704</u>

16. SHARE CAPITAL

The authorised, issued and paid up capital of the Company was SAR 800 million at 30 September 2018 (31 December 2017: SAR 800 million) consisting of 80 million shares (31 December 2017: 80 million shares) of SAR 10 each.

Shareholding structure of the Company is as below:

	<i>30 September 2018 (Unaudited)</i>	
	<i>Holding Percentage</i>	<i>SAR'000</i>
Major shareholders	52.3%	418,710
General Public	47.7%	381,290
	<u>100.0%</u>	<u>800,000</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

16. SHARE CAPITAL (continued)

	<i>31 December 2017 (Audited)</i>	
	<i>Holding Percentage</i>	<i>SAR '000</i>
Major shareholders	52.3%	418,710
General Public	47.7%	381,290
	100.0%	800,000

Subsequent to the recommendation of its Board of Directors, to increase the share capital of the Company by SR 400 million through bonus shares, using the retained earnings, the Company announced receiving SAMA's no-objection for this proposed share capital increase. The Company is in the process of completing the regulatory approvals to complete this share capital increase in due course.

17. DIVIDENDS

On 17 April 2018, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2017, of SR 2 per share totalling SR 160 million to its shareholders (2016: SR120 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly meeting, held on 31 May 2018, and accordingly the dividend payment was completed on 11 June 2018.

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 2018, SR 504.02 million (31 December 2017: SR 504.02 million) had been set aside as a statutory reserve, representing 63% (31 December 2017: 63%) of the paid-up share capital.

19. SHARE BASED PAYMENT

The Company offers a Long-Term Incentive Plan (LTIP), to certain eligible executives and 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 the '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.

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At 30 September 2018

19. 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 30 September 2018 SR'000</i>
July 2015	32,110	277	8,901
November 2015	18,993	221	4,200
December 2015*	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	11,060
March 2018	(10,210)	139	(1,415)
May 2018	(37,986)	111	(4,200)
June 2018**	(15,378)	139	(2,132)
Sep 2018***	121,816	94	11,494
Total	305,623		32,662

* During December 2015 the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares.

** 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.

*** 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,

20. 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.

21. 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.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION

Interim condensed financial position

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (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>
<u>ASSETS</u>						
Cash and cash equivalents	229,630	146,722	376,352	110,384	119,500	229,884
Term deposits	2,727,360	1,500,791	4,228,151	2,912,577	1,032,806	3,945,383
Premiums receivables - net	2,277,693	--	2,277,693	870,982	--	870,982
Investments	763,494	835,292	1,598,786	820,776	900,914	1,721,690
Reinsurers' share of unearned premiums	8,871	--	8,871	5,146	--	5,146
Reinsurers' share of outstanding claims	820	--	820	360	--	360
Reinsurers' share of claims Incurred but not reported	2,366	--	2,366	670	--	670
Deferred policy acquisition costs	100,155	--	100,155	71,076	--	71,076
Due from insurance operations	--	--	--	--	200,000	200,000
Prepaid expenses and other assets	148,682	26,618	175,300	157,535	12,993	170,528
Statutory deposit	--	80,000	80,000	--	80,000	80,000
Accrued income on statutory deposit	--	6,373	6,373	--	5,121	5,121
Fixtures, furniture and equipment - net	--	82,873	82,873	--	93,617	93,617
Intangible assets - net	--	50,985	50,985	--	39,880	39,880
Goodwill	--	98,000	98,000	--	98,000	98,000
	6,259,071	2,827,654	9,086,725	4,949,506	2,582,831	7,532,337
Less: Inter-operation elimination	--	--	--	--	(200,000)	(200,000)
TOTAL ASSETS	6,259,071	2,827,654	9,086,725	4,949,506	2,382,831	7,332,337

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed financial position (continued)

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (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>
<u>LIABILITIES</u>						
Accrued and other liabilities	243,692	7,418	251,110	137,984	7,614	145,598
Reinsurers' balances payable	77,903	--	77,903	39,613	--	39,613
Unearned premiums	4,366,629	--	4,366,629	3,091,079	--	3,091,079
Outstanding claims	576,870	--	576,870	450,249	--	450,249
Claims incurred but not reported	843,086	--	843,086	871,998	--	871,998
Claims handling reserve	19,289	--	19,289	19,289	--	19,289
Due to related parties	--	39,828	39,828	--	33,586	33,586
Due to shareholders' operations	--	--	--	200,000	--	200,000
Insurance operations' surplus payable	137,661	--	137,661	138,581	--	138,581
Zakat and income tax	--	185,862	185,862	--	148,704	148,704
Accrued income payable to SAMA	--	6,373	6,373	--	5,121	5,121
Provision for end-of-service benefits	--	70,707	70,707	--	66,469	66,469
	6,265,130	310,188	6,575,318	4,948,793	261,494	5,210,287
Less: Inter-operation elimination	--	--	--	(200,000)	--	(200,000)
TOTAL LIABILITIES	6,265,130	310,188	6,575,318	4,748,793	261,494	5,010,287
<u>EQUITY</u>						
Share capital	--	800,000	800,000	--	800,000	800,000
Shares held under employees share scheme	--	(32,662)	(32,662)	--	(28,915)	(28,915)
Statutory reserve	--	504,025	504,025	--	504,025	504,025
Share based payments	--	15,313	15,313	--	17,220	17,220
Investments fair value reserve	(6,059)	(13,928)	(19,987)	713	(1,880)	(1,167)
Retained earnings		1,244,718	1,244,718	--	1,030,887	1,030,887
TOTAL EQUITY	(6,059)	2,517,466	2,511,407	713	2,321,337	2,322,050
<u>TOTAL LIABILITIES AND EQUITY</u>	6,259,071	2,827,654	9,086,725	4,749,506	2,582,831	7,332,337

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income

	<i>Three months period ended 30 September (Unaudited)</i>						<i>Nine months period ended 30 September (Unaudited)</i>					
	<i>2018</i>			<i>2017</i>			<i>2018</i>			<i>2017</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>	
<u>REVENUES</u>												
Gross premiums written	2,831,881	--	2,831,881	2,522,625	--	2,522,625	7,340,649	--	7,340,649	6,623,173	--	6,623,173
Reinsurance premiums ceded -												
Local	(989)	--	(989)	(1,639)	--	(1,639)	(7,155)	--	(7,155)	(4,693)	--	(4,693)
Reinsurance premiums ceded -												
International	(16,624)	--	(16,624)	(24,011)	--	(24,011)	(54,258)	--	(54,258)	(53,504)	--	(53,504)
Net premiums written	2,814,268	--	2,814,268	2,496,975	--	2,496,975	7,279,236	--	7,279,236	6,564,976	--	6,564,976
Changes in unearned premiums, net	(718,641)	--	(718,641)	(560,015)	--	(560,015)	(1,271,825)	--	(1,271,825)	(842,220)	--	(842,220)
Net premiums earned	2,095,627	--	2,095,627	1,936,960	--	1,936,960	6,007,411	--	6,007,411	5,722,756	--	5,722,756
<u>UNDERWRITING COSTS AND EXPENSES</u>												
Gross claims paid	(1,832,005)	--	(1,832,005)	(1,535,731)	--	(1,535,731)	(4,814,858)	--	(4,814,858)	(4,819,227)	--	(4,819,227)
Reinsurers' share of claims paid	--	--	--	9,283	--	9,283	12,600	--	12,600	9,283	--	9,283
Net claims paid	(1,832,005)	--	(1,832,005)	(1,526,448)	--	(1,526,448)	(4,802,258)	--	(4,802,258)	(4,809,944)	--	(4,809,944)
Changes in outstanding claims, net	171,087	--	171,087	(258,563)	--	(258,563)	(126,161)	--	(126,161)	(190,579)	--	(190,579)
Changes in claims incurred but not reported, net	28,678	--	28,678	309,672	--	309,672	30,608	--	30,608	333,919	--	333,919
Net claims incurred	(1,632,240)	--	(1,632,240)	(1,475,339)	--	(1,475,339)	(4,897,811)	--	(4,897,811)	(4,666,604)	--	(4,666,604)
Policy acquisition costs	(43,393)	--	(43,393)	(46,973)	--	(46,973)	(139,666)	--	(139,666)	(145,861)	--	(145,861)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,675,633)	--	(1,675,633)	(1,522,312)	--	(1,522,312)	(5,037,477)	--	(5,037,477)	(4,812,465)	--	(4,812,465)
NET UNDERWRITING RESULTS	419,994	--	419,994	414,648	--	414,648	969,934	--	969,934	910,291	--	910,291

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income (continued)

	<i>Three months period ended 30 September (Unaudited)</i>						<i>Nine months period ended 30 September (Unaudited)</i>					
	<i>2018</i>			<i>2017</i>			<i>2018</i>			<i>2017</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>	
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>												
Allowance for doubtful receivables	(4,098)	--	(4,098)	(38,790)	--	(38,790)	(93,773)	--	(93,773)	(67,697)	--	(67,697)
General and administrative expenses	(102,940)	(2,018)	(104,958)	(94,306)	(2,043)	(96,349)	(305,108)	(6,595)	(311,703)	(271,520)	(5,917)	(277,437)
Selling and marketing expenses	(89,706)	--	(89,706)	(74,212)	--	(74,212)	(233,104)	--	(233,104)	(240,866)	--	(240,866)
Investment income	24,206	19,619	43,825	22,028	13,004	35,032	69,266	63,609	132,875	74,546	41,497	116,043
Other income / (loss)	--	4,469	4,469	24	(433)	(409)	585	8,957	9,542	24	(433)	(409)
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(172,538)	22,070	(150,468)	(185,256)	10,528	(174,728)	(562,134)	65,971	(496,163)	(505,513)	35,147	(470,366)
NET INCOME FOR THE PERIOD	247,456	22,070	269,526	229,392	10,528	239,920	407,800	65,971	473,771	404,778	35,147	439,925
Transfer of surplus to shareholders	(222,710)	222,710	--	(206,453)	206,453	--	(367,020)	367,020	--	(364,300)	364,300	--
NET RESULTS FROM OPERATIONS	24,746	244,780	269,526	22,939	216,981	239,920	40,780	432,991	473,771	40,478	399,447	439,925
Weighted average number of ordinary outstanding shares (in thousands)		79,749			79,753			79,760			79,793	
Basic earnings per share (Expressed in SAR per share)		3.07			2.72			5.43			5.01	

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of comprehensive income

	<i>Three months period ended 30 September (Unaudited)</i>						<i>Nine months period ended 30 September (Unaudited)</i>					
	<i>2018</i>			<i>2017</i>			<i>2018</i>			<i>2017</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>	
Net result from operations	24,746	244,780	269,526	22,939	216,981	239,920	40,780	432,991	473,771	40,478	399,447	439,925
Other comprehensive (loss) /income												
<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	1,332	(5,412)	(4,080)	398	(1,442)	(1,044)	(6,772)	(12,048)	(18,820)	1,831	(1,754)	77
<u>TOTAL COMPREHENSIVE INCOME</u>	26,078	239,368	265,446	23,337	215,539	238,876	34,008	420,943	454,951	42,309	397,693	440,002
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(24,746)			(22,939)			(40,780)			(40,478)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			240,700			215,937			414,171			399,524

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows

	<i>Nine months period ended 30 September (Unaudited)</i>					
	<i>2018</i>			<i>2017</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>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders	--	432,991	432,991	--	399,447	399,447
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	40,780	--	40,780	40,478	--	40,478
Depreciation of fixtures, furniture and equipment	10,353	--	10,353	8,198	--	8,198
Amortization of intangible assets	4,540	--	4,540	4,117	--	4,117
Share based-payments expense	--	5,840	5,840	--	(476)	(476)
Allowance of doubtful receivables	93,773	--	93,773	67,697	--	67,697
Unrealized gains on investments held as FVSI	(4,104)	(1,255)	(5,359)	(3,503)	(6,769)	(10,272)
Realized gains on investments held as FVSI	(1,824)	(7,360)	(9,184)	(1,676)	(2,392)	(4,068)
Provision for end-of-service benefits	--	12,579	12,579	--	9,357	9,357
Loss on disposal of fixture, furniture and equipment	--	--	--	--	433	433
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,500,484)	--	(1,500,484)	(985,358)	--	(985,358)
Reinsurers' share of unearned premiums	(3,725)	--	(3,725)	(5,821)	--	(5,821)
Reinsurers' share of outstanding claims	(460)	--	(460)	242	--	242
Reinsurers' share of claims incurred but not reported	(1,696)	--	(1,696)	448	--	448
Deferred policy acquisition costs	(29,079)	--	(29,079)	(63)	--	(63)
Prepaid expenses and other assets	8,853	(13,625)	(4,772)	4,102	1,840	5,942
Accrued and other liabilities	105,708	(196)	105,512	8,198	3,602	11,800
Reinsurers' balances payable	38,290	--	38,290	47,077	--	47,077
Unearned premiums	1,275,550	--	1,275,550	848,042	--	848,042
Outstanding claims	126,621	--	126,621	186,950	--	186,950
Claims incurred but not reported	(28,912)	--	(28,912)	(330,981)	--	(330,981)
Due to related parties	--	6,242	6,242	--	2,212	2,212
Due to shareholders' operations	(214,893)	214,893	--	(160,791)	160,791	--
	(80,709)	650,109	569,400	(272,644)	568,045	295,401
End-of-service benefits paid	--	(8,341)	(8,341)	--	(2,780)	(2,780)
Surplus paid to policyholders	(41,700)	--	(41,700)	(54,828)	--	(54,828)
Zakat and income tax paid	--	(28,133)	(28,133)	--	(37,992)	(37,992)
Net cash (used in)/generated from operating activities	(122,409)	613,635	491,226	(327,472)	527,273	199,801

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

22. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows (continued)

	<i>Nine months period ended 30 September (Unaudited)</i>					
	<i>2018</i>			<i>2017</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>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(2,495,094)	(1,166,204)	(3,661,298)	(2,567,487)	(555,672)	(3,123,159)
Proceeds from maturity of term deposits	2,680,311	698,219	3,378,530	2,897,113	817,494	3,714,607
Additions to investments	(856,128)	(533,001)	(1,389,129)	(680,386)	(1,355,923)	(2,036,309)
Disposals of investments	912,566	595,190	1,507,756	564,154	856,980	1,421,134
Additions to fixtures, furniture and equipment	--	(4,025)	(4,025)	--	(37,735)	(37,735)
Disposal of furniture, furniture and equipment	--	--	--	--	8	8
Intangible assets acquired	--	(11,229)	(11,229)	--	(6,962)	(6,962)
Purchase of shares under LTIP - net	--	(11,494)	(11,494)	--	(5,511)	(5,511)
Net cash generated from/(used in) investing activities	241,655	(432,544)	(190,889)	213,394	(287,321)	(73,927)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	--	(160,000)	(160,000)	--	(120,000)	(120,000)
Income tax recovered from non-Saudi shareholders'	--	6,131	6,131	--	--	--
Net cash used in financing activities	--	(153,869)	(153,869)	--	(120,000)	(120,000)
Net change in cash and cash equivalents	119,246	27,222	146,468	(114,078)	119,952	5,874
Cash and cash equivalents at beginning of the period	110,384	119,500	229,884	132,030	93,800	225,830
Cash and cash equivalents at end of the period	229,630	146,722	376,352	17,952	213,752	231,704

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current period's presentation as disclosed in note 2 to these interim condensed financial statements.

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 22 above).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2018

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 14 Safar 1440H, corresponding to 23 October 2018.